



May 2015

# NORTH KOREA SANCTIONS

United States Has  
Increased Flexibility to  
Impose Sanctions, but  
United Nations Is  
Impeded by a Lack of  
Member State  
Reports

Accessible Version

# GAO Highlights

Highlights of [GAO-15-485](#), a report to the Chairman, Committee on Foreign Relations, U.S. Senate

## Why GAO Did This Study

North Korea is a closely controlled society, and its regime has taken actions that threaten the United States and other United Nations member states. North Korean tests of nuclear weapons and ballistic missiles have prompted the United States and the UN to impose sanctions on North Korea.

GAO was asked to review U.S. and UN sanctions on North Korea. This report (1) identifies the activities that are targeted by U.S. and UN sanctions specific to North Korea, (2) describes how the United States implements its sanctions specific to North Korea and examines the challenges it faces in doing so, and (3) describes how the UN implements its sanctions specific to North Korea and examines the challenges it faces in doing so. To answer these questions, GAO analyzed documents from the Departments of State, Treasury, and Commerce, and the UN. GAO also interviewed officials from the Departments of State, Treasury, and Commerce, and the UN.

## What GAO Recommends

GAO recommends the Secretary of State work with the UN Security Council to ensure that member states receive technical assistance to help prepare and submit reports on their implementation of UN sanctions on North Korea. The Department of State concurred with this recommendation.

View [GAO-15-485](#). For more information, contact Thomas Melito at (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov).

May 2015

## NORTH KOREA SANCTIONS

### United States Has Increased Flexibility to Impose Sanctions, but United Nations Is Impeded by a Lack of Member State Reports

#### What GAO Found

U.S. executive orders (EO) and the Iran, North Korea, and Syria Nonproliferation Act target activities for the imposition of sanctions that include North Korean (Democratic People's Republic of Korea) proliferation of weapons of mass destruction and transferring of luxury goods. The EOs and the act allow the United States to respond by imposing sanctions, such as blocking the assets of persons involved in these activities. United Nations (UN) Security Council resolutions target similar North Korean activities, and under the UN Charter, all 193 UN member states are required to implement sanctions on persons involved in them.

U.S. officials informed GAO that obtaining information on North Korean persons has hindered the U.S. interagency process for imposing sanctions, and that EO 13687, announced in January 2015, provided them with greater flexibility to sanction persons based on their status as government officials rather than evidence of specific conduct. State and Treasury impose sanctions following an interagency process that involves: reviewing intelligence and other information to develop evidence needed to meet standards set by U.S. laws and EOs, vetting possible actions within the U.S. government, determining whether to sanction, and announcing sanctions decisions. Since 2006, the United States has imposed sanctions on 86 North Korean persons, including on 13 North Korean government persons under EO 13687.

Although UN sanctions have a broader reach than U.S. sanctions, the UN lacks reports from many member states describing the steps or measures they have taken to implement specified sanctions provisions. The UN process for imposing sanctions relies on a UN Security Council committee and a UN panel of experts that investigates suspected sanctions violations and recommends actions to the UN. The Panel of Experts investigations have resulted in 32 designations of North Korean or related entities for sanctions since 2006, including a company found to be shipping armaments from Cuba in 2013. While the UN calls upon all member states to submit reports detailing plans for implementing specified sanctions provisions, fewer than half have done so because of a range of factors including a lack of technical capacity. The committee uses the reports to uncover gaps in sanctions implementation and identify member states that require additional outreach. The United States as a member state has submitted all of these reports. UN and U.S. officials agree that the lack of reports from all member states is an impediment to the UN's implementation of its sanctions.

#### Shipment of Arms Found Concealed on North Korean Vessel *Chong Chon Gang*



Source: GAO | GAO-15-485

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**Abbreviations:**

BDA	Banco Delta Asia SARL
Commerce	Department of Commerce
EO	executive order
FinCEN	Financial Crimes Enforcement Network
INPA	Iran Nonproliferation Act of 2000
INKSNA	Iran, North Korea, and Syria Nonproliferation Act
ISNA	Iran and Syria Nonproliferation Act
North Korea	Democratic People's Republic of Korea
SDN	Specially Designated Nationals
State	Department of State
Treasury	Department of the Treasury
UN	United Nations
UNSCR	UN Security Council Resolution
USA PATRIOT Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act
USUN	U.S. Mission to the United Nations
WMD	weapons of mass destruction

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May 13, 2015

The Honorable Bob Corker  
Chairman  
Committee on Foreign Relations  
United States Senate

Dear Mr. Chairman,

In response to North Korea's tests of nuclear weapons and ballistic missiles, beginning in 2006 the United States and the United Nations (UN) have imposed a broad range of sanctions to deter North Korea from proliferating weapons of mass destruction (WMD) and accessing the international financial system.<sup>1</sup> The Department of State (State) and the Department of the Treasury (Treasury) implement and enforce U.S. sanctions, while the Department of Commerce (Commerce) enforces sanctions by limiting the export of U.S. products to North Korea. State is also the lead agency responsible for engagement with the United Nations. The UN Security Council is responsible for ensuring that member states implement and enforce UN sanctions on North Korea. It does so through its 1718 Committee, named after the UN Security Council Resolution (UNSCR) that imposes sanctions on North Korea.<sup>2</sup>

In response to your request, we reviewed U.S. and UN sanctions related to North Korea. This report (1) identifies the activities that are targeted by U.S. and UN sanctions specific to North Korean sanctions, (2) describes how the United States implements its sanctions specific to North Korea and examines the challenges it faces in doing so, and (3) describes how the UN implements its sanctions specific to North Korea and examines the challenges it faces in doing so. This report also includes information comparing U.S. and UN North Korea-specific sanctions with those specific to Iran (see app. I.)

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<sup>1</sup>The official name of North Korea is the Democratic People's Republic of Korea. For the purposes of this report, we will refer to the country as North Korea.

<sup>2</sup>UN Security Council Resolution 1718 was adopted in October 2006 and imposed a series of economic and commercial sanctions on North Korea. S.C. Res. 1718, U.N. Doc. S/RES/1718 (Oct. 14, 2006).

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To address our first objective, we reviewed (1) U.S. executive orders (EO) and laws and (2) UNSCRs. We also interviewed officials from State, Treasury, and the UN to confirm the universe of North Korea–specific sanctions. We also interviewed U.S. officials to determine any other executive orders, laws, or resolutions not specific to North Korea that they have used to impose sanctions on North Korea during this time period. We then analyzed the executive orders, laws, and resolutions to identify the activities targeted by the sanctions.

To address our second objective, we interviewed State and Treasury officials to determine the process that each agency follows to impose sanctions on North Korea and related persons.<sup>3</sup> We also interviewed Department of Commerce officials to learn about how the U.S. government controls exports to North Korea. We also analyzed documents and information from State and Treasury to determine the number of North Korean persons that have been sanctioned since 2006.<sup>4</sup> The challenges discussed herein are based on our discussions with State, Treasury, and Commerce officials. We also reviewed documents such as Federal Register notices and press releases that provided information about U.S. government sanctions to corroborate what officials told us.

To address our third objective, we reviewed UN documents and records of member state implementation reports, and interviewed relevant officials at State, the U.S. Mission to the United Nations, members of the UN 1718 Committee, and former members of the Panel of Experts. To determine the extent to which member states are reporting on their implementation of specified UN sanctions provisions, we examined UN records of member state implementation reports. To identify the challenges the UN faces related to member state reporting and the efforts the UN has taken to help member states report on implementation pursuant to these provisions, we interviewed U.S. officials and Member State delegates to the UN Security Council and representatives on the 1718 Committee, and reviewed UN reports and documents. To examine the efforts the UN has taken to address member state reporting, we interviewed members of the

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<sup>3</sup>The term “persons” refers to both individuals and entities. For the purposes of this report, an entity is a partnership, association, trust, joint venture, corporation, group, subgroup, or other organization.

<sup>4</sup>For a comparison of these sanctions with U.S. sanctions on Iran, see app. II.

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UN 1718 Committee and reviewed documents outlining UN outreach efforts.

To compare U.S. and UN sanctions specific to North Korea and Iran, we reviewed U.S. executive orders and laws and UNSCRs authorizing sanctions that specifically target North Korea and those that specifically target Iran. We analyzed these documents to identify the activities targeted by the sanctions. On the basis of a comprehensive literature review, we developed a list of targeted activities frequently identified in relation to North Korea and Iran sanctions and grouped these activities into high-level categories. To ensure data reliability in categorizing the targeted activities into high-level categories, we conducted a double-blind exercise whereby we individually reviewed the activities identified within the U.S. executive orders and laws and UN resolutions for each country and assigned each activity to a high-level category through consensus. We also had a State Department official review our list of activities and high-level categories to ensure our conclusions were reliable. We then interviewed State and Treasury officials to discuss the differences in activities targeted by North Korea and Iran sanctions. To determine the extent to which member states are reporting on their implementation of specified UN sanctions provisions, we examined the UN 1718 Committee's record of member state implementation reports.<sup>5</sup>

We conducted this performance audit from July 2014 to May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

North Korea is an isolated society with a centrally planned economy and a centrally controlled political system. The governing regime assumed power after World War II. Successive generations of a single family have ruled North Korea since its founding. According to the CIA World Factbook, under dictator Kim Jong Un, the grandson of regime founder

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<sup>5</sup>These reports are formally known as Reports From Member States Pursuant to Paragraph 11 of Resolution 1718 (2006), Paragraph 22 of Resolution 1874 (2009), and Paragraph 25 of Resolution 2094 (2013).

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Kim Il Sung, the regime currently controls all aspects of political life, including the legislative, judicial, and military structures. According to a Library of Congress country study, the North Korean leadership rewards members of the primary political party (the Korean Workers' Party) and the military establishment with housing, food, education, and access to goods. Much of the population, however, lives in poverty, with limited education, travel restrictions, a poor health care system, no open religious institutions or spiritual teaching, and few basic human rights.

North Korea exports commodities such as minerals, metallurgical products, textiles, and agricultural and fishery products. According to the CIA World Factbook, the North Korean economy is one of the world's least open economies. The CIA World Factbook reported that as of 2012, its main export partners were China and South Korea. China is North Korea's closest ally and accounts for almost two-thirds of its trade.

North Korea has engaged in a number of acts that have threatened the security of the United States and other UN member states. Since 2006, North Korea has conducted a number of missile launches and detonated three nuclear explosive devices; torpedoed a South Korean naval vessel, the Cheonan, killing 46 crew members; and launched a disruptive cyberattack against a U.S. company, Sony Pictures Entertainment.<sup>6</sup>

In response to these actions, the United States and the UN imposed sanctions specific to North Korea from 2006 through 2015 (see fig. 1)<sup>7</sup>. The United States has imposed sanctions on North Korea and North Korean persons under EOs and a number of laws and regulations.<sup>8</sup> EOs are issued by the President and generally direct the executive branch to

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<sup>6</sup>See the following executive branch press releases regarding these incidents: <http://www.treasury.gov/press-center/press-releases/Pages/jl9733.aspx> and <https://www.whitehouse.gov/the-press-office/statement-press-secretary-republic-korea-navy-ship-cheonan>.

<sup>7</sup>The United States has imposed economic, diplomatic, and political restrictions on North Korea since the outbreak of the Korean War in 1950. This report discusses North Korea-specific sanctions imposed since 2006.

<sup>8</sup>See, e.g., 80 Fed. Reg. 13,667 (Mar. 16, 2015) (Notice of Department of Treasury, Office of Foreign Assets Control: imposition of sanctions pursuant to Executive Order 13687) and 76 Fed. Reg. 30,986 (May 27, 2011) (Notice of Department of State, Bureau of International Security and Nonproliferation: imposition of nonproliferation measures against foreign persons).



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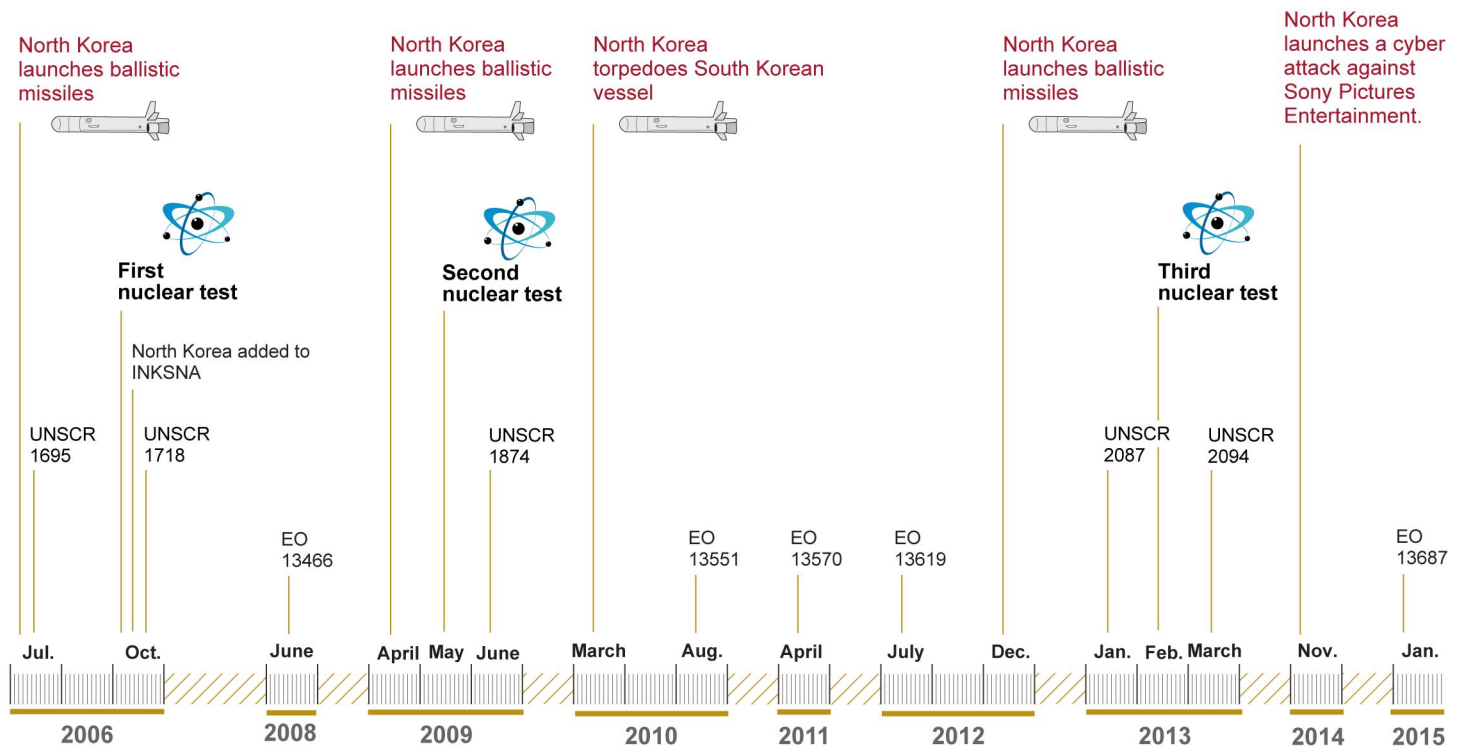
either carry out actions or clarify and further existing laws passed by Congress. Administrations have invoked authority provided by the International Emergency Economic Powers Act, as well as other authorities, to issue EOs specific to North Korea.<sup>9</sup> The UN Security Council issued five UNSCRs imposing sanctions specific to North Korea during this time period.<sup>10</sup> (See fig. 1.)

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<sup>9</sup>50 U.S.C. §§ 1701 -1706. The act granted the President a number of authorities, including the blocking of a foreign country's or foreign national's property, to respond to any unusual and extraordinary threat to the national security, foreign policy, or economy of the United States. See, e.g., Exec. Order No. 13,687, 80 Fed. Reg. 819 (Jan. 2, 2015) and Exec. Order No. 13,570, 76 Fed. Reg. 22,291 (Apr. 18, 2011).

<sup>10</sup>S.C. Res. 1695, U.N. Doc. S/RES/1695 (July 15, 2006); S.C. Res. 1718, U.N. Doc. S/RES/1718 (Oct. 14, 2006); S.C. Res. 1874, U.N. Doc. S/RES/1874 (June 12, 2009); S.C. Res. 2087, U.N. Doc. S/RES/2087 (Jan. 22, 2013); S.C. Res. 2049, U.N. Doc. S/RES/2049 (Mar. 3, 2013). The legal basis for UN sanctions under international law derives from Chapter VII of the UN Charter. Article 41 of Chapter VII addresses enforcement measures not involving the use of armed force and lists examples of specific sanctions measures that the UN may take.

**Figure 1: Timeline of North Korean Actions and United States and United Nations Sanctions**



**UNSCR** United Nations Security Council Resolution  
**INKSNA** Iran, North Korea, and Syria Nonproliferation Act  
**EO** Executive Order

Source: Congressional Research Service, United Nations, The White House, and 50 U.S.C. § 1701 note. | GAO-15-485

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## U.S. and UN Sanctions Specific to North Korea Target a Range of Activities That Include Proliferation of Weapons of Mass Destruction and Transferring Luxury Goods

U.S. EOs specific to North Korea and the Iran, North Korea, and Syria Nonproliferation Act (INKSNA)<sup>11</sup> authorize the United States to impose sanctions targeting activities that include weapons of mass destruction proliferation, trade in arms and related materiel,<sup>12</sup> and transferring luxury goods.<sup>13</sup> Sanctions that can be imposed pursuant to the EOs and INKSNA include blocking property and banning U.S. government procurement. UNSCRs target similar activities, and under the UN Charter, all 193 UN member states are required to implement sanctions imposed by the UNSCRs, such as travel bans, on North Korean and other persons involved in these activities.

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## U.S. Sanctions Target Activities Such as Weapons Proliferation and Trade in Arms

U.S. EOs specific to North Korea and INKSNA authorize the United States to impose sanctions targeting activities that include involvement in North Korean WMD and conventional arms proliferation and transferring luxury goods to North Korea.<sup>14</sup> The most recent EO targets a person's status as opposed to a person's conduct. The EO targets a person's status by authorizing the imposition of sanctions on persons determined, for example, to be agencies, instrumentalities, or controlled entities of the government of North Korea or the Workers' Party of Korea.<sup>15</sup> Table 1 provides examples of the activities and statuses targeted by EOs and INKSNA.<sup>16</sup> In addition, EO 13466 prohibits activities such as the registration of a vessel in North Korea by a U.S. person, and EO 13570

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<sup>11</sup>This law was originally enacted as the Iran Nonproliferation Act of 2000 (INPA). The INPA was amended to include Syria in 2005 and became the Iran and Syria Nonproliferation Act, or ISNA. ISNA was amended to include North Korea in 2006, and is now known as the Iran, North Korea, and Syria Nonproliferation Act of 2006 (INKSNA). See Pub. L. No. 106-178, 114 Stat. 38 (codified as amended at 50 U.S.C. § 1701 note).

<sup>12</sup>Exec. Order No. 13,551, 75 Fed. Reg. 53,837 (Aug. 30, 2010).

<sup>13</sup>*Id.*

<sup>14</sup>See, e.g., Pub. L. No. 106-178, as amended; Exec. Order No. 13,619, 77 Fed. Reg. 41,243 (July 11, 2012); and Exec. Order No. 13,551.

<sup>15</sup>Exec. Order No. 13,687.

<sup>16</sup>For a comparison of these sanctions with U.S. sanctions on Iran, see app. II.

generally prohibits a U.S. person from importing North Korean goods, services, or technology from North Korea.<sup>17</sup>

**Table 1: Activities and Statuses Targeted by Sanctions Authorized by U.S. Executive Orders and Law Specific to North Korea**

Executive Order (EO) or law and effective date	Examples of targeted activities and statuses
INKSNA (October 13, 2006) <sup>a</sup>	<ul style="list-style-type: none"> <li>Transferring to or acquiring from North Korea items listed by multilateral export control regimes, or certain nonlisted items that could materially contribute to weapons of mass destruction (WMD) systems or cruise or ballistic missile systems.</li> </ul>
EO 13551 (August 30, 2010)	<ul style="list-style-type: none"> <li>Importing, exporting, or reexporting to, into, or from North Korea any arms or related materiel</li> <li>Providing training, advice, or other services or assistance, or engaging in financial transactions, related to the manufacture, maintenance, or use of any arms or related materiel to be imported, exported, or reexported to, into, or from North Korea</li> <li>Importing, exporting, or reexporting luxury goods to or into North Korea</li> <li>Engaging in money laundering, the counterfeiting of goods or currency, bulk cash smuggling, narcotics trafficking, or other illicit economic activity that involves or supports the government of North Korea or any senior official thereof</li> <li>Providing financial, material, or technological support for, or goods or services to or in support of said activities or persons whose property and interests in property are blocked pursuant to this order</li> <li>Being owned or controlled by, or acting or purporting to act for or on behalf of, any person whose property and interests in property are blocked pursuant to this order</li> <li>Attempting to engage in any of said activities</li> </ul>
EO 13619 (July 11, 2012)	<ul style="list-style-type: none"> <li>Importing, exporting, reexporting, or selling or supplying arms or related materiel from North Korea or the government of North Korea to Burma or the government of Burma</li> <li>Being a senior official of an entity that engages in above activities in this order</li> <li>Providing financial, material, or technological support for, or goods and services to or in support of, above activities or persons whose property and interests in property are blocked pursuant to this order</li> <li>Being owned or controlled by, or acting or purporting to act for or on behalf of, the government of North Korea</li> </ul>
EO 13687 (January 2, 2015)	<ul style="list-style-type: none"> <li>Being an agency, instrumentality, controlled entity, or official of the government of North Korea or the Workers' Party of Korea</li> <li>Providing financial, material, or technological support for, or goods or services to or in support of, above activities or persons whose property and interests in property are blocked pursuant to this order</li> <li>Being owned or controlled by, or acting or purporting to act for or on behalf of, the government of North Korea</li> </ul>

Sources: U.S. executive orders and law, and interviews with Department of State and Department of the Treasury officials. | GAO-15-485

<sup>17</sup> Exec. Order No. 13,466, 73 Fed. Reg. 36,787 (June 26, 2008), and Exec. Order No. 13,570, 76 Fed. Reg. 22,291 (Apr. 18, 2011). These EOs are not included in the table because they do not authorize the designations of persons.

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<sup>a</sup>Pub. L. No. 106-178 (codified as amended at 50 U.S.C. § 1701 note). INKSNA was originally enacted as the Iran Nonproliferation Act of 2000 in 2000 and was amended to include North Korea on October 13, 2006, by the North Korea Nonproliferation Act of 2006, Pub. L. No. 109-353, 120 Stat. 2015.

Sanctions that can be imposed pursuant to the EOs and law listed above include blocking property and interests in property in the United States, and banning U.S. government procurement and assistance.

The EOs listed in table 1 create a framework within which the executive branch can decide when to impose sanctions against specific persons within the categories established by the EOs, according to Treasury and State officials. Treasury officials informed us that the process of determining whether to impose sanctions on one or more persons is (1) the result of a process wholly under the executive branch, and (2) driven by policy directives that prioritize issues of concern for the agencies. Treasury officials also noted that while Treasury does not consider itself to have discretion on whether or not to implement an EO, there is discretion at the interagency level regarding what sanctions programs should be focused on for individual designations, and how resources should be allocated among all relevant programs.

INKSNA requires the President to provide reports every 6 months to two congressional committees that identify every foreign person with respect to whom there is credible information indicating that the person, on or after the dates specified in the act, has transferred to, or acquired from, North Korea, Syria, or Iran certain items listed by multilateral export control regimes, or certain nonlisted items that could materially contribute to weapons of mass destruction systems or cruise or ballistic missile systems.<sup>18</sup> It does not require the President to sanction those persons, although it does require him or her to notify the congressional committees if he or she opts not to impose sanctions, including a written justification that supports the President's decision not to exercise this authority.<sup>19</sup> The President has delegated INKSNA authorities to the Secretary of State.<sup>20</sup>

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<sup>18</sup>50 U.S.C. § 1701 note.

<sup>19</sup>*Id.*

<sup>20</sup>65 Fed. Reg. 56,209 (Sept. 11, 2000). GAO is currently conducting a separate review of the State Department's implementation of INKSNA, due to be released in May 2015.

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## U.S. Agencies Have Used Other Executive Orders and Laws to Target North Korea–Related Activities

In targeting North Korean activities, State and Treasury officials said they have also used EOs and laws that are not specific to North Korea. For example:

- [EO 12938](#)<sup>21</sup>—The EO authorizes sanctions on foreign persons that are found to have engaged, or attempted to engage, in activities or transactions that have materially contributed to, or pose a risk of materially contributing to, the proliferation of weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer, or use such items, by any person or foreign country of proliferation concern.<sup>22</sup> The EO also prohibits the importation of products produced by these persons.<sup>23</sup>
- [EO 13382](#)<sup>24</sup>—The EO authorizes the blocking of assets of foreign persons determined by the Secretary of State, in consultation with the Secretary of Treasury, the Attorney General, and other agencies, to have engaged, or attempted to engage, in activities or transactions that have materially contributed to, or pose a risk of materially contributing to, the proliferation of weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer, or use such items, by any person or foreign country of proliferation concern.<sup>25</sup> EO 13382 also authorizes Treasury to impose sanctions after Treasury determines, in consultation with State and other relevant agencies, that a person has provided, or attempted to provide, financial, material, technological, or other support for such activities to persons whose assets are blocked under this EO.<sup>26</sup>

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<sup>21</sup>Exec. Order No. 12,938, 59 Fed. Reg. 58,099 (Nov. 14, 1994). The current version of section 4 of the executive order, relating to sanctions on foreign persons, was amended by Executive Order 13,094 in 1998 and then by Executive Order 13,382 in 2005. Exec. Order No. 13,094, § 1(a), 63 Fed. Reg. 40,803 (July 28, 1998) and Exec. Order No. 13,382, § 4, 70 Fed. Reg. 38,567 (June 28, 2005).

<sup>22</sup>Exec. Order No. 13,382, § 4 (amending section 4(a) of Executive Order 12,938).

<sup>23</sup>*Id.*

<sup>24</sup>Exec. Order No. 13,382.

<sup>25</sup>Exec. Order No. 13,382, § 1(a)(ii).

<sup>26</sup>Exec. Order No. 13,382, § 1(a)(iii).

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- Missile Sanctions Law<sup>27</sup>—These laws generally provide for mandatory sanctions against any foreign person determined to have knowingly exported, transferred, or otherwise engaged in trade, after November 1990, of Missile Technology Control Regime Annex items that contribute to the acquisition, design, development, or production of certain missiles in a country that is not a signatory to the Missile Technology Control Regime. Sanctionable activity under the Missile Sanctions laws includes exporting, transferring, or otherwise engaging in the trade of any Missile Technology Control Regime equipment or technology that contributes to the acquisition, design, development, or production of missiles in a country that is not a Missile Trade Control Regime adherent.
  - The USA PATRIOT Act<sup>28</sup>—Section 311 of the USA PATRIOT Act is a U.S. tool implemented by Treasury’s Financial Crimes Enforcement Network (FinCEN) to address the threat to the U.S. financial system of money laundering and terrorist financing. Section 311 grants the Secretary of the Treasury the authority, upon finding that reasonable grounds exist for concluding that a foreign jurisdiction, foreign financial institution, class of transaction, or type of account is of primary money laundering concern, to require domestic financial institutions to take certain special measures upon making the finding of primary money laundering concern. This authority provides the Treasury with a range of options that can be adapted to protect the U.S. financial system from specific money laundering and terrorist financing risks. The Secretary of the Treasury has delegated implementation of Section 311 to the Director of FinCEN. In 2007, FinCEN issued a final rule pursuant to section 311 that prohibited covered financial institutions from opening or maintaining correspondent accounts in the United States for, or on behalf of, a

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<sup>27</sup>State refers to section 73 of the Arms Export Control Act and section 11B of the Export Administration Act collectively as the Missile Sanctions laws. See 22 U.S.C. § 2797b and 50 U.S.C. App. § 2410b.

<sup>28</sup>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (Oct. 26, 2001) (codified at 31 U.S.C. § 5318A). For more information on section 311 of the USA PATRIOT Act, see GAO, *USA PATRIOT Act: Better Interagency Coordination and Implementing Guidance for Section 311 Could Improve U.S. Anti-Money Laundering Efforts*, [GAO-08-1058](#) (Washington, D.C.: Sept. 30, 2008).

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Macao bank (Banco Delta Asia SARL).<sup>29</sup> FinCEN cited the bank's facilitation of financial transactions conducted by North Korean-related accounts that related to money laundering and illicit activities, including trade in counterfeit U.S. currency, counterfeit cigarettes, and narcotics, as grounds for its action.

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### UN Sanctions Target Activities Such as Weapons Proliferation and Financial Transactions

Five UNSCRs target North Korean-related activities that include WMD proliferation, cash transfers, and trade in luxury goods to North Korea (see table 2). Under the UN Charter, all 193 UN member states are required to implement sanctions in the UNSCRs that include imposing an arms embargo, prohibiting travel, and freezing assets. State officials told us that UN sanctions can amplify U.S. development of bilateral sanctions specific to North Korea, and that the United States has imposed sanctions beyond those required by UNSCRs. According to State officials, the United States has implemented the sanctions within the UNSCRs, pursuant to authorities including the United Nations Participation Act of 1945.<sup>30</sup>

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<sup>29</sup>72 Fed. Reg. 12,730 (Mar. 19, 2007). In 2013, Banco Delta Asia SARL (BDA) and its parent company, Delta Asia Group Ltd., filed a civil complaint in U.S. District Court against FinCEN, its director, as well the U.S. Secretary of the Treasury in their respective official capacities, seeking, among other things, review under the Administrative Procedure Act of FinCEN's final rule imposing a special measure against BDA, pursuant section 311 of the USA PATRIOT Act (31 U.S.C. § 5318A). *Banco Delta Asia, S.A.R.L. v. Fin. Crimes Enforcement Network*, No. 1:13-cv-00333-BAH (D.D.C.). In November 2010, BDA separately filed an administrative petition with FinCEN to repeal the rule. Parties began discussions to address the administrative petition, and in February 2014, the parties jointly requested a stay in the lawsuit in anticipation that their discussions may resolve the litigation. The court granted the motion for a stay in the case, and the stay has been extended to February 29, 2016. This report does not express any opinion regarding the BDA litigation.

<sup>30</sup>Ch. 583, 59 Stat. 619 (1945).



**Table 2: Targeted Activities within United Nations Security Council Resolutions Imposing Sanctions Specific to North Korea**

United Nations Security Council resolution (UNSCR) and date	Examples of targeted activities
UNSCR 1695 (July 15, 2006)	<ul style="list-style-type: none"> <li>Transferring missiles and missile-related items, materials, goods, and technology to North Korea's missile or weapons of mass destruction (WMD) programs</li> <li>Procuring missiles or missile-related-items, materials, goods, and technology from North Korea and transferring any financial resources in relation to North Korea's missile or WMD programs</li> </ul>
UNSCR 1718 (October 14, 2006)	<ul style="list-style-type: none"> <li>Supplying, selling, or transferring to North Korea any battle tanks, armored combat vehicles, large-caliber artillery systems, combat aircraft, attack helicopters, warships, missiles, or missile systems as defined for the purpose of the United Nations Register on Conventional Arms, or related materiel including spare parts</li> <li>Supplying, selling, or transferring luxury goods to North Korea</li> <li>Procuring from North Korea items that, as determined by the Security Council or the 1718 Committee, could contribute to nuclear-related, ballistic missile-related, or other weapons of mass destruction-related program</li> <li>Transferring to or from North Korea technical training, advice, services, or assistance related to the provision, manufacture, maintenance, or use of specified items related to WMD</li> <li>Allowing the entry into or transit through states' territories of persons designated as being responsible for, including through supporting or promoting, North Korean policies in relation to North Korea's nuclear-related, ballistic missile-related, and other weapons of mass destruction-related programs, together with their family members</li> </ul>
UNSCR 1874 (June 12, 2009)	<ul style="list-style-type: none"> <li>Entering into new commitments for grants, financial assistance, or concessional loans to North Korea</li> <li>Providing public financial support for trade with North Korea (including the granting of export credits, guarantees, or insurance to their nationals or entities involved in such trade) where such financial support could contribute to North Korea's nuclear-related or ballistic missile-related or other WMD-related programs or activities</li> </ul>
UNSCR 2087 (January 22, 2013)	<ul style="list-style-type: none"> <li>Activities of nationals, persons in states' territories, financial institutions, and other entities organized under states' laws (including branches abroad) that are with or on behalf of financial institutions in North Korea, or of those that act on behalf or at the direction of North Korean financial institutions, including their branches, representatives, agents, and subsidiaries abroad</li> <li>The entry into or transit through states' territories of individuals working on behalf or at the direction of a designated individual or entity</li> </ul>
UNSCR 2094 (March 7, 2013)	<ul style="list-style-type: none"> <li>The entry into or transit through member states' territories of individuals acting on behalf or at the direction of persons designated by the United Nations (UN)</li> <li>Certain brokering or other intermediary services, including when arranging for the provision, maintenance, or use of prohibited items in other states or the supply, sale, or transfer to or exports from other states</li> <li>The opening of new branches, subsidiaries, or representative offices of North Korean banks; North Korean banks establishing new joint ventures and taking an ownership interest in or establishing or maintaining correspondent relationships with banks in their jurisdiction; the provision of financial services for activities that could contribute to North Korea's nuclear or ballistic missile programs, or other prohibited activities</li> <li>Transfers to North Korea of bulk cash, including through cash couriers, transiting to and from North Korea</li> </ul>

Sources: United Nations Security Council resolutions and interviews with Department of State officials. | GAO 15-485

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## Recent EO Can Help Address Factor Hindering U.S. Process for Imposing Sanctions Related to North Korea

U.S. officials informed GAO that obtaining information on North Korean persons has hindered the U.S. interagency process for imposing sanctions, and that a recent EO has provided them with greater flexibility to sanction persons based on their status as government or party officials rather than evidence of specific conduct. EO 13687 allows State and Treasury to sanction persons because they are officials of the North Korean government or of the Worker's Party of Korea, instead of based on specific conduct. State and Treasury impose sanctions following an interagency process that involves reviewing intelligence and other information to develop evidence needed to meet standards set by U.S. laws and EOs, vetting possible actions within the U.S. government, determining whether and when to sanction, and announcing sanctions decisions. Since 2006, the United States has imposed sanctions on 86 North Korean persons, including 13 North Korean government officials and entities, under EO 13687. Commerce is the U.S. government agency that controls exports by issuing licenses for shipping goods that are not prohibited to North Korea.

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## A Lack of Information about North Korean Persons Hinders the Sanctions Determination Process

Agency officials cited obtaining sufficient information about North Korean persons to be their greatest challenge in making sanctions determinations. Most North Korea-specific sanctions authorities require a determination that a person engaged in a specific activity.<sup>31</sup> Officials said that for sanctions to be effective, financial institutions need a minimum set of identifying information so that they can ensure they are blocking the right person. However, officials said that gathering information on the activities of North Korean persons and personal identifying information can be difficult because of the nature of North Korean society, whose citizens are tightly controlled by the government. Without sufficient information, the United States could mistakenly designate and therefore block the assets of the wrong person, particularly one with a common surname. State officials also cited obtaining sufficient information as a challenge to North Korean sanctions implementation, especially if the sanctions authority requires information indicating that the foreign person knowingly engaged in sanctionable activities. Officials in both agencies also said that they face challenges in obtaining information that can be made public in the Federal Register.

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<sup>31</sup>See, e.g., Exec. Order No. 13,551 (authorizing the imposition of sanctions if Treasury determines that a person "directly or indirectly, imported, exported, or reexported to, into, or from North Korea any arms or related materiel").

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## New Executive Order Provides State and Treasury Greater Flexibility and Can Address Factors Hindering U.S. Sanctioning Process

### Sony Cyberattacks

On November 24, 2014, Sony Pictures Entertainment experienced a cyberattack that disabled its information technology, destroyed data, and released internal e-mails. Sony also received e-mails threatening terrorist attacks on theaters scheduled to show a film, *The Interview*, which depicted the assassination of Kim Jong Un. The Federal Bureau of Investigation and the Director of National Intelligence attributed these cyberattacks to the North Korean government.

Source: Congressional Research Service. | GAO-15-485

State and Treasury officials informed us that EO 13687, issued on January 2, 2015, gives them greater flexibility to impose sanctions despite the lack of complete information about persons' activities. Treasury officials noted that sanctions under EO 13687 are status-based rather than conduct-based, which means that the EO allows agencies to sanction persons, for example, based on their status as North Korean government officials, rather than on their engagement in specific activities. EO 13687 allows Treasury to designate persons based solely on their status as officials, agencies, or controlled entities of the North Korean government, and to designate other persons acting on their behalf or providing them with material support.<sup>32</sup> According to Treasury, EO 13687 represents a significant broadening of Treasury's authority to increase financial pressure on the North Korean government and to further isolate North Korea from the international financial system. The White House issued the EO in response to North Korean cyberattacks on Sony Pictures Entertainment in November and December 2014. Treasury officials also noted that although the new authority allows them to target any North Korean government official, they continue to target activities prohibited under current sanctions, such as WMD proliferation.

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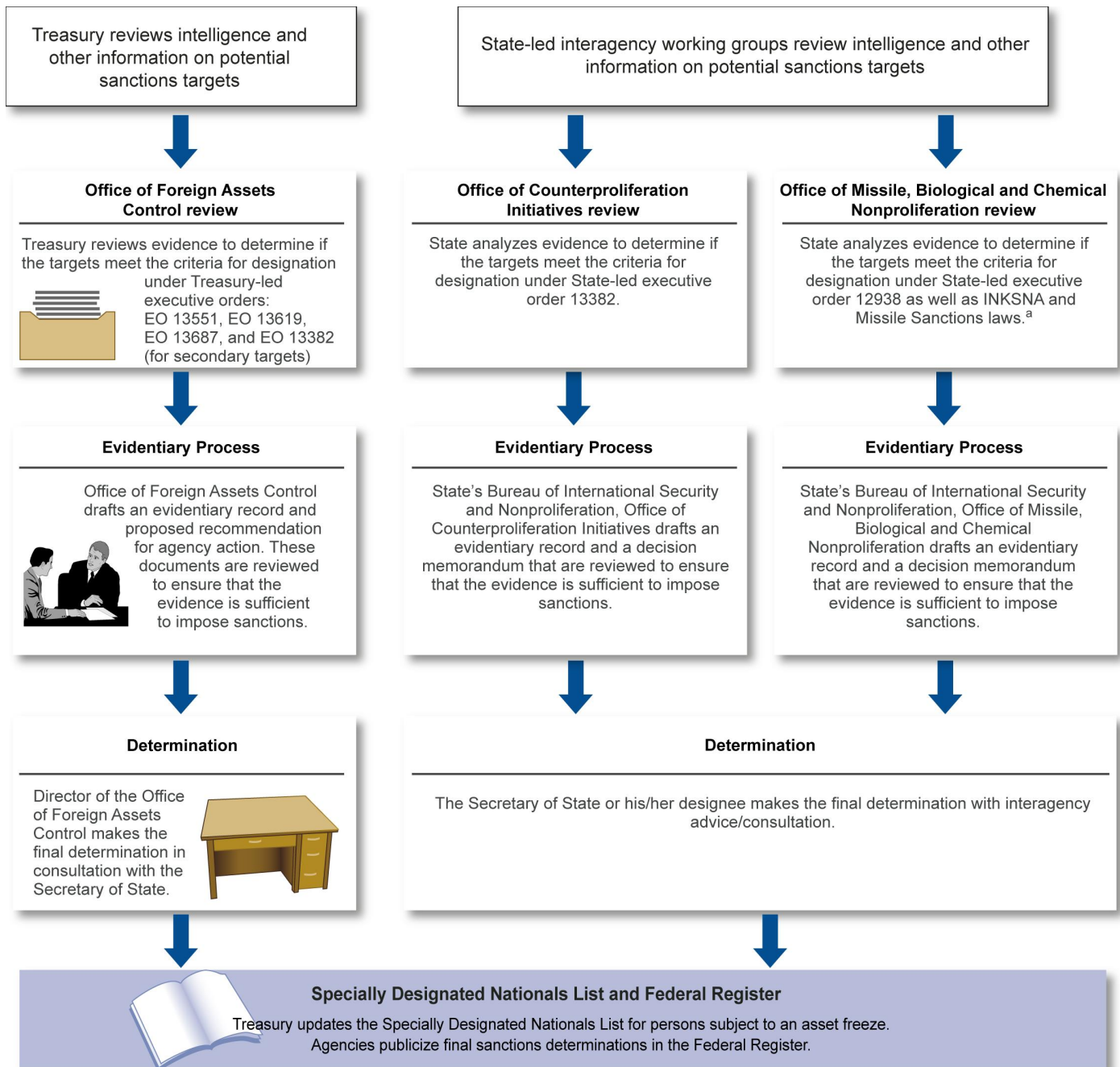
## U.S. Agencies Use an Interagency Process to Determine When and Whether to Impose Sanctions

Treasury and State officials informed us that they have established processes to determine when and if the United States should impose sanctions related to North Korea. The processes involve reviewing evidence to identify sanctions targets, ensuring that they have adequate evidence to sanction, and imposing and publicizing the sanctions. (See fig. 2.)

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<sup>32</sup>Exec. Order No. 13,687, § 1.

**Figure 2: U.S. Process for North Korea Sanctions Determinations**



Source: GAO analysis based on interviews with officials from the Departments of State and Treasury. | GAO-15-485

<sup>a</sup>Iran, North Korea, and Syria Nonproliferation Act, codified at 50 U.S.C. § 1701 note.

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## Treasury Officials and State-Led Working Groups Review Intelligence and Other Information on Potential Targets

### State-Led Working Groups

- *Nuclear Interdiction Action Group*
- *SHIELD Chemical and Biological Weapons Group*
- *Technology Transfer Working Group*
- *Missile Trade Analysis Group*

Source: GAO analysis based on State Department data. | GAO-15-485

For North Korea–specific sanctions that fall under Treasury’s jurisdiction, Treasury officials said they investigate and collaborate with other U.S. government agencies to identify specific targets. The Office of Foreign Assets Control investigates the target’s activities and communicates with Treasury and other agency officials about the potential target. Where appropriate, Treasury will notify foreign authorities of the activities of the targeted person and seek commitment to stop the activity.

State’s Bureau of International Security and Nonproliferation’s Office of Counterproliferation Initiatives leads an interagency process to evaluate whether a person’s activities are potentially sanctionable under EO 13382, which targets proliferation of weapons of mass destruction. The Office of Missile, Biological and Chemical Nonproliferation, also under the Bureau of International Security and Nonproliferation, leads the process for INKSNA, EO 12938, and the Missile Sanctions laws. The process begins with four State-led interagency working groups responsible for coordinating nonproliferation efforts involving (1) chemical and biological weapons, (2) missile technology, (3) nuclear technology, and (4) advanced conventional weapons. Each working group is chaired by a State official and consists of representatives from several U.S. government departments and agencies such as the Departments of Defense, Commerce, Homeland Security, Treasury, and Energy; the Federal Bureau of Investigation; and various intelligence community agencies. State officials said that the working groups regularly evaluate reports concerning proliferation-related activities and determine an appropriate response to impede activities of concern. As part of this review process, these groups identify transactions that may be sanctionable under various nonproliferation sanction authorities, including those related to North Korea. According to State and other working group officials, the interagency review process relies on criteria defined in the laws and EOs when assessing a transaction for the potential application of those sanctions. State officials also said the groups do not pursue sanctions for a target if they determine available information does not provide a basis for applying sanctions or is not legally sufficient.

## State and Treasury Seek Consensus before Making a Final Determination

Officials in each agency said that they follow an evidence-based process to gain inter- and intra-agency consensus on imposing sanctions.

- At Treasury, Office of Foreign Assets Control officials said that they create an evidentiary record that contains the information they have gathered on a targeted person to present sufficient evidence that the person has engaged in sanctionable activity. The record contains identifying information such as date of birth, place of birth, or passport

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information, or if the targeted person is a company, the identifying information might be an address or telephone number. After the Office of Foreign Assets Control has approved this document, it is further reviewed for legal sufficiency by the Department of Justice, Department of State, and other relevant agencies.

- At State, the Offices of Counterproliferation Initiatives and Missile, Biological and Chemical Nonproliferation draft a statement of facts that provides a summary of intelligence available on a targeted transaction. Concurrently, State drafts a policy memo that explains the legal justification for the case. State circulates these documents internally and obtains advice from appropriate agencies and, in the case of actions targeted under EO 13382, consults with Treasury's Office of Foreign Assets Control. Officials from the Offices of Counterproliferation Initiatives and Missile, Biological and Chemical Nonproliferation also said they circulate a decision memorandum to relevant stakeholders for approval.

Officials at State and Treasury also told us that their process includes steps for making and announcing final sanctions determinations.

- At Treasury, the Office of Foreign Assets Control makes the final determination. Officials then publicize the sanctions in the Federal Register.
- At State, once the stakeholders have cleared the memorandum, the Offices of Counterproliferation Initiatives and Missile, Biological and Chemical Nonproliferation forward it to the Secretary of State or his or her designee for a final sanctions determination. They then prepare a report on imposed sanctions for publication in the Federal Register.

When State or Treasury makes a determination that results in blocked assets, Treasury places the sanctioned person on the Specially Designated Nationals and Blocked Persons (SDN) list indicating that the person's assets are blocked. Pursuant to regulation, U.S. persons, including banks, are required to block any assets of such persons that are in their possession or that come within their possession.<sup>33</sup> As a consequence of the blocking, U.S. persons are generally prohibited from engaging in activities with the property or interests in property of persons

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<sup>33</sup>31 C.F.R. part 510.

on the SDN list.<sup>34</sup> U.S. citizens are generally prohibited from doing business with individuals and persons on the SDN list.<sup>35</sup> Treasury officials noted that persons' status on this list does not expire, but persons may apply to be taken off the list. However, no North Korean person has asked for his or her name to be removed.

### State and Treasury Have Sanctioned 86 North Korean Persons since 2006

Since 2006, the United States has imposed sanctions on 86 North Korean persons under five EOs, INKSNA, and Missile Sanctions laws (see table 3). The most frequently used EO during this time period was EO 13382, which, as noted above, is not specific to North Korea. Treasury imposed the most recent sanctions on North Korean persons in January 2015, in response to North Korea's cyberattacks on Sony Pictures. In response, Treasury placed 10 North Korean individuals on the SDN list, and updated information about 3 persons on the list.

**Table 3: State and Treasury Have Sanctioned 86 North Korean Persons, Calendar Years 2006-2015**

Executive order/law	Number of North Korean persons sanctioned
EO 13382	43
EO 13687	13
EO 13551	9
INKSNA <sup>a</sup>	8
EO 13619	5
EO 12938	4
Missile Sanctions laws (Arms Export Control Act and Export Administration Act) <sup>b</sup>	4
<b>Total</b>	<b>86</b>

Sources: GAO analysis of Treasury and State data. | GAO-15-485

<sup>a</sup>Iran, North Korea, and Syria Nonproliferation Act, codified at 50 U.S.C. § 1701 note.

<sup>b</sup>22 U.S.C. § 2797b and 50 U.S.C. App. § 2410b.

<sup>34</sup>31 C.F.R. part 510.

<sup>35</sup>Please see Treasury's website: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx> for the complete list of Specially Designated Nationals.

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State and Treasury have used EO 13382 most frequently—43 times in 10 years—to impose sanctions on North Korean persons that they found had engaged in activities related to WMD proliferation. For example, in March 2013, Treasury used EO 13382 to designate the following for sanctions:

- North Korea’s primary foreign exchange bank, which facilitated millions of dollars in transactions that benefited North Korean arms dealing.
- The chairman of the North Korean committee that oversees the production of North Korea’s ballistic missiles.
- Three North Korean government officials who were connected with North Korea’s nuclear and ballistic weapons production. According to the Federal Register notice, the United States imposed sanctions on these persons because State determined that they “engaged, or attempted to engage, in activities or transactions that have materially contributed to, or pose a risk of materially contributing to, the proliferation of WMD or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer or use such items, by any person or foreign country of proliferation concern.”<sup>36</sup>

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## Commerce Enforces Export Controls On Items That Are Shipped to North Korea

Commerce’s Bureau of Industry and Security requires those exporters who wish to ship items to North Korea to obtain a license for dual-use items that are subject to the Export Administration Regulations.<sup>37</sup> Dual-use items are goods and technology that are designed for commercial use but could have military applications, such as computers and telecommunications equipment. In general, the Bureau of Industry and Security reviews applications for items requiring a license for export or reexport to North Korea and approves or denies applications on a case-by-case basis. According to the Bureau of Industry and Security, it will deny a license for luxury goods or any item that could contribute to North Korea’s nuclear-related, ballistic missile-related, or other WMD-related programs. Commerce officials informed us that they receive relatively few requests for licenses to export items to North Korea and in most of these

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<sup>36</sup>78 Fed. Reg. 17,996 (Mar. 25, 2013).

<sup>37</sup>15 C.F.R. §§ 746.1, 746.4.



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cases Commerce issues a license because most of the applications are for humanitarian purposes. In 2014, the Bureau of Industry and Security approved licenses for items such as telecommunications equipment and medical devices, as well as water well–drilling equipment and volcanic seismic measuring instruments.

Commerce does not require a license to export some items, such as food and medicine, to North Korea.<sup>38</sup> Commerce officials informed us that, under the Export Administration Regulations, the Bureau of Industry and Security, in consultation with the Departments of Defense and State, will generally approve applications to export or reexport humanitarian items, such as blankets, basic footwear, and other items meeting subsistence needs that are intended for the benefit of the North Korean people. For example, it will approve items in support of UN humanitarian efforts, and agricultural commodities or medical devices that the Bureau of Industry and Security determines are not luxury goods.

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## The UN Implements Sanctions on North Korea but Lacks Implementation Reports from More than Half of Member States

While UN sanctions have a broader reach than U.S. sanctions because all UN member states are obligated to implement and enforce them, the UN does not know the extent to which members are actually implementing its sanctions. The UN process for imposing sanctions on North Korea or related persons relies on a Security Council committee and a UN panel of experts that investigates suspected violations of North Korea sanctions and recommends actions to the UN. The panel has found North Korean persons using illicit techniques to evade sanctions and trade in arms and related material and has designated 32 North Korean or related entities for sanctioning since 2006, including a North Korean company found to be shipping armaments from Cuba to North Korea. However, while the UN calls upon member states to submit reports describing the steps or measures they have taken to implement effectively specified sanctions provisions, fewer than half have done so. According to UN and U.S. officials, many member states lack the technical capacity to develop the reports and implement sanctions. Member state delegates to the UN Security Council and U.S. officials agree that the lack of reports from all member states is an impediment to UN sanctions implementation.

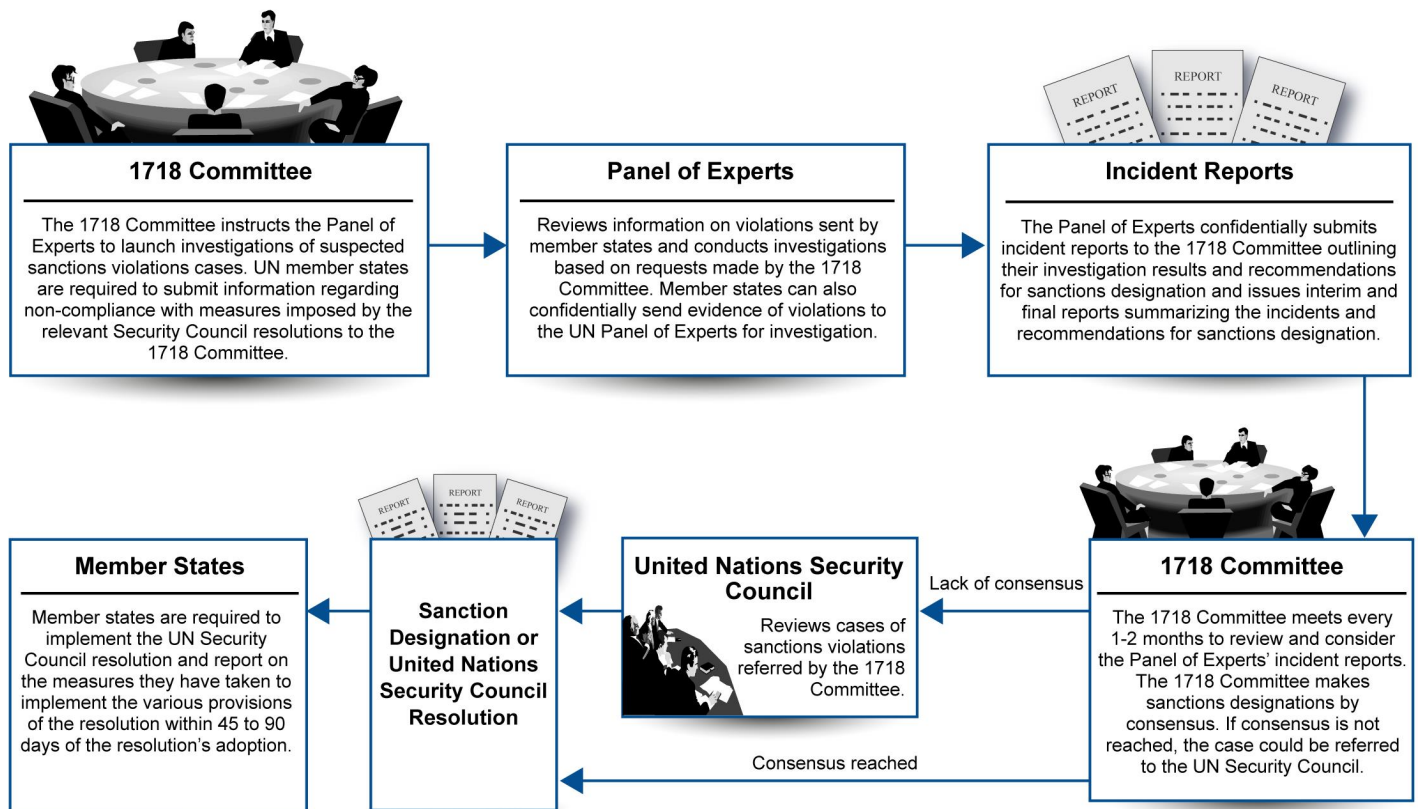
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<sup>38</sup>15 C.F.R. § 746.4(a).

## The 1718 Committee Oversees North Korea Sanctions

Member state delegates to the UN Security Council informed us that the UN has established a process to determine when and if to impose sanctions on persons that have violated the provisions of UNSCRs. The process involves the Security Council committee established pursuant to Security Council Resolution 1718 that oversees UN sanctions on North Korea; the Panel of Experts, which reviews information on violations of North Korea sanctions sent by member states and conducts investigations based on requests from the committee; and member states whose role is to implement sanctions on North Korea as required by various UN Security Council resolutions. (See fig. 3.)

**Figure 3: United Nations North Korea Sanctions Designation Process**



Source: GAO analysis of UN data. | GAO-15-485

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The UN established the committee in 2006.<sup>39</sup> It consists of 15 members, including the 5 permanent members of the United Nations Security Council and 10 nonpermanent members.<sup>40</sup> The committee makes all decisions by consensus and is mandated to seek information from member states regarding their actions to implement the measures imposed by UNSCR 1718.<sup>41</sup> It is also mandated to examine and take action on information regarding alleged sanctions violations, consider and decide upon requests for exemptions, determine additional items to be added to the list of sanctioned goods, designate individuals and entities for sanctions, promulgate guidelines to facilitate the implementation of sanctions measures, and report at least every 90 days to the UN Security Council on its work overseeing sanctions measures set out in United Nations Security Council resolution 1718 on North Korea.<sup>42</sup>

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<sup>39</sup>S.C. Res. 1718, para. 12, U.N. Doc. S/RES/1718 (Oct. 14, 2006).

<sup>40</sup>The 5 permanent members of the United Nations Security Council are China, France, Russia, the United Kingdom, and the United States. The current 10 nonpermanent members of the United Nations Security Council are Angola, Chad, Chile, Jordan, Lithuania, Malaysia, New Zealand, Nigeria, Spain, and Venezuela.

<sup>41</sup>As noted previously, UN Security Council Resolution 1718 was adopted in October 2006 and imposes a series of economic and commercial sanctions on North Korea. S.C. Res. 1718, para. 12, U.N. Doc. S/RES/1718 (Oct. 14, 2006) (establishing the mandate of the committee).

<sup>42</sup>S.C. Res. 1718, para. 12, U.N. Doc. S/RES/1718 (Oct. 14, 2006) (establishing the mandate of the committee). United Nations Security Council resolutions on North Korea include UNSCR 1695, UNSCR 1718, UNSCR 1874, UNSCR 2087, and UNSCR 2094. See S.C. Res. 1695, U.N. Doc. S/RES/1695 (July 15, 2006); S.C. Res. 1718, U.N. Doc. S/RES/1718 (Oct. 14, 2006); S.C. Res. 1874, U.N. Doc. S/RES/1874 (June 12, 2009); S.C. Res. 2087, U.N. Doc. S/RES/2087 (Jan. 22, 2013); and S.C. Res. 2049, U.N. Doc. S/RES/2049 (Mar. 3, 2013).

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## The Panel of Experts Monitors and Facilitates Implementation of United Nations Sanctions on North Korea

The Panel of Experts was established in 2009 as a technical body within the committee. Pursuant to UNSCR 1874, the panel is tasked with, among other things, gathering, examining, and analyzing information regarding incidents of noncompliance with United Nations Security Council sanctions on North Korea.<sup>43</sup> The panel was originally created for a 1-year period, but the Security Council extended the panel's mandate in subsequent resolutions.<sup>44</sup> The panel acts under the committee's direction to implement its mandate to gather, examine, and analyze information from member states, relevant UN bodies, and other interested parties regarding North Korea sanctions implementation. The panel does not have enforcement authority and relies on the cooperation of member states to provide information that helps it with its investigations.

The panel consists of eight subject matter experts from UN member states, including representatives from the council's 5 permanent members. The Secretary General appoints panel members, who currently are from China, France, Japan, Russia, South Africa, South Korea, the United Kingdom, and the United States. According to the UN, these subject matter experts specialize in technical areas such as WMD arms control and nonproliferation policy, customs and export controls, finance, missile technology, maritime transport, and nuclear issues. According to a representative of the committee, panel members are not intended to represent their countries, but to be independent in order to provide objective assessments.

According to UN guidance, the panel reviews public information and conducts investigative work on incidents or events, and consults foreign governments and seeks information beyond what member states provide them. Representatives of the U.S. Mission to the United Nations (USUN) informed us that the United States and other countries provide the panel with information to help facilitate investigations. The UN Security Council encourages UN member states to respond promptly and thoroughly to the panel's requests for information and to invite panel members to visit and

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<sup>43</sup>S.C. Res. 1874, para. 26, U.N. Doc. S/RES/1874 (June 12, 2009). As noted previously, the UN adopted UNSCR 1874 in June 2009. Although the original mandate of the panel referred only to provisions in UNSCR 1718 and 1874, the panel's mandate has been expanded to cover later resolutions.

<sup>44</sup>S.C. Res. 1874, para. 26, U.N. Doc. S/RES/1874 (June 12, 2009). UNSCR 2094 extended the Panel of Experts' mandate, which has been expanded to cover the new measures imposed by that resolution.

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investigate alleged violations of the sanctions regime, including inspection of items that might have been seized by national authorities.

Following investigations of suspected sanctions violations, the panel submits investigative reports (incident reports) to the committee detailing its findings and recommendations on how to proceed, according to UN guidance. The panel treats its incident reports as confidential and provides access only to committee and Security Council members. According to a representative of the committee, the committee considers the violations and recommendations and makes sanctions designations based on the consensus of committee members. According to a representative of the committee, if the committee does not reach consensus, it can refer the case to the UN Security Council, pending member agreement

Ultimately, the UN Security Council determines whether or not recommended designations meet the criteria for sanctions, according to a representative of the committee. If the decision is affirmative, it takes action by making sanctions designations mostly through new resolutions. This process has resulted in 32 designations since 2006. All but one of these designations were made through new resolutions, according to a USUN official. For example, the committee designated the Ocean Maritime Management Company for sanctions through the committee process in July 2014. The panel is generally required, with each extension of its mandate, to provide the committee with an interim and final report, including findings and recommendations.<sup>45</sup>

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<sup>45</sup>The panel was established pursuant to UNSCR 1874. S.C. Res. 1874, para. 26, U.N. Doc. S/RES/1874 (June 12, 2009). Its mandate has been extended by UNSCR 1928, UNSCR 1985, UNSCR 2050, UNSCR 2094, UNSCR 2141, and UNSCR 2207. S.C. Res. 2207, para. 1-2, U.N. Doc. S/Res/2207 (Mar. 4, 2015); S.C. Res. 2141, para. 1-2, U.N. Doc. S/Res/2141 (Mar. 4, 2014); S.C. Res. 2094, para. 29, U.N. Doc. S/Res/2094 (Mar. 7, 2013); S.C. Res. 2050, para. 1-2, U.N. Doc. S/Res/2050 (June 12, 2012); S.C. Res. 1985, para. 1-2, U.N. Doc. S/Res/1985 (June 10, 2011); and S.C. Res. 1928, para. 1-2, U.N. Doc. S/Res/1928 (June 7, 2010). Panel of Experts reports can be found on the committee's website, at <http://www.un.org/sc/committees/1718/poereports.shtml>. The consolidated list of designated entities and individuals can be found on the committee's website, at [http://www.un.org/sc/committees/1718/sanctions\\_list.shtml](http://www.un.org/sc/committees/1718/sanctions_list.shtml).

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## North Korea Uses Illicit Techniques to Evade Sanctions and Trade in Arms and Related Material

The panel's final reports have identified North Korea's use of evasive techniques to export weapons. The panel's 2014 final report described North Korea's attempt to illicitly transport arms and related materiel from Cuba to North Korea concealed underneath thousands of bags of sugar onboard the North Korean vessel Chong Chon Gang.<sup>46</sup> North Korea's use of evasive techniques in this case was blocked by actions taken by Panama, a UN member state. Panamanian authorities stopped and examined the Chong Chon Gang vessel as it passed through Panama's jurisdiction. After uncovering items on the vessel that it believed to be arms and related materiel, Panama alerted the committee of the possible UN sanctions violation. According to representatives of the committee, Panama cooperated with the panel as it conducted its investigation. The panel concluded that the shipment was in violation of UN sanctions and that it constituted the largest amount of arms and related materiel interdicted to North Korea since the adoption of UNSCR 1718. The committee placed the shipping company that operated the Chong Chon Gang on its sanctioned entities list.

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<sup>46</sup>The Panel of Experts' 2014 final report containing a summary of the *Chong Chon Gang* case can be found on the committee's website, at [http://www.un.org/ga/search/view\\_doc.asp?symbol=S/2014/920](http://www.un.org/ga/search/view_doc.asp?symbol=S/2014/920).

**Figure 4: Shipment of Arms Found Concealed on North Korean Vessel Chong Chon Gang**



Source: United Nations. | GAO 15-485

The panel's investigations have also uncovered evidence of North Korea's efforts to evade sanctions by routing financial transactions in support of North Korea's procurement of sanctioned goods through intermediaries, including those in China, Malaysia, Singapore, and Thailand. For instance, in its investigation of the Chong Chon Gang case, the panel found that the vessel operator, North Korea's Ocean Maritime Management Company, Limited, used foreign intermediaries in Hong Kong, Thailand, and Singapore to conduct financial transactions on its behalf. The panel also identified that in most cases the investigated transactions were made in United States dollars from foreign-based banks and transferred through corresponding bank accounts in the United States. The panel's 2015 final report indicated that North Korea has successfully bypassed banking organizations' due diligence processes by initiating transactions through other entities on its behalf. The panel expressed concern in its report regarding the ability of banks in countries with less effective banking regulations or compliance institutions to detect and prevent illicit transfers involving North Korea.

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## More than Half of All UN Member States Have Not Provided Sanctions Implementation Reports to the UN

The panel's reports also reveal the essential role played by member states in implementing UN sanctions and that some member states have not been as well informed as others in working with the panel regarding sanctions implementation. For example, the panel discovered that the Ugandan government had contracted with North Korea to provide police force training. Ugandan government officials purported that they did not realize that UN sanctions prohibited this type of activity, according to a USUN official.

The UN recognized the essential role that member states play when it called upon member states to submit reports on measures or steps taken to implement effectively provisions of specified Security Council resolutions to the committee within 45 or 90 days, or upon request by the committee, of the UN's adoption of North Korea sanctions measures.<sup>47</sup> UNSCRs 1718, 1874, and 2094, adopted in 2006, 2009, and 2013 respectively, call upon member states to report on the concrete measures they have taken in order to effectively implement the specified provisions of the resolutions.<sup>48</sup> For instance, a member state might report on how its national export control regulations address newly adopted UN sanctions on North Korea.

However, more than 80 percent (158) of the UN's 193 member states have not submitted implementation reports in response to these three UNSCRs.<sup>49</sup> Of those 158, 94 have not submitted any implementation reports in response to any of the three UNSCRs. Members that have not

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<sup>47</sup>The reporting provisions in UNSCR 1718, UNSCR 1874, and UNSCR 2094 differ in the amount of time in which member states are to submit reports on the status of their implementation of the various provisions within their respective UNSCRs. UNSCR 1718 called upon member states to report within 30 days of the resolution's adoption. S.C. Res. 1718, para. 11, U.N. Doc. S/RES/1718 (Oct. 14, 2006). UNSCR 1874 called upon members to report on concrete measures taken to implement paragraph 8 of UNSCR 1718 as well as various provisions within UNSCR 1874 within 45 days of the adoption of the resolution. S.C. Res. 1874, para. 22, U.N. Doc. S/RES/1874 (June 12, 2009). UNSCR 2094 called upon member states to report on concrete measures taken in order to implement effectively the resolution's various provisions within 90 days of the resolution's adoption. S.C. Res. 2094, para. 25, U.N. Doc. S/RES/2094 (Mar. 7, 2013).

<sup>48</sup>S.C. Res. 1718, para. 11, U.N. Doc. S/RES/1718 (Oct. 14, 2006); S.C. Res. 1874, para. 22, U.N. Doc. S/RES/1874 (June 12, 2009); and S.C. Res. 2094, para. 25, U.N. Doc. S/RES/2094 (Mar. 7, 2013).

<sup>49</sup>The United States has complied with UN reporting provisions calling on member states to submit implementation reports. U.S. implementation reports can be viewed on the committee's website, at <http://www.un.org/sc/committees/1718/mstatesreports.shtml>.



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submitted one or more reports include member states with major international transit points (such as the United Arab Emirates) or that have reportedly been used by North Korea as a foreign intermediary (such as Thailand). The panel has expressed concern in its 2015 final report that 8 years after the adoption of UNSCR 1718, in 2006, a consistently high proportion of member states in some regions have not reported at all on the status of their implementation. It has also reported that some member states have submitted reports that lack detailed information, or were late, impeding the panel's ability to examine and analyze information about national implementation. The panel has also reported that member states should improve their reporting of incidents of noncompliance with sanctions resolutions and inspections of North Korean cargo. Appendix III provides information on the status of member state implementation report submissions.

U.S. officials and representatives of the committee agree that the lack of detailed reports from all member states is an impediment to the UN's effective implementation of its sanctions. Through reviewing these reports, the committee uncovers gaps in member state sanctions implementation which helps the committee identify targets for outreach. The panel notes that the lack of detailed information in implementation reports impedes its ability to examine and analyze information regarding member state implementation and its challenges. It also states that member state underreporting increases North Korea's opportunities to continue its prohibited activities. The panel will not have the information it needs to completely understand North Korea's evasive techniques if it does not have the full cooperation of member states.

U.S. officials and representatives of the committee told us that many member states lack the technical capacity to enforce sanctions and prepare reports. For instance, representatives of the committee told us that some member states may have weak customs and border patrol systems or export control regulatory structures because of the high resource requirements of these programs. In addition, representatives of the committee stated that some member states may lack awareness of the full scope of North Korea sanctions or may not understand how to implement the sanctions. Moreover, some countries may not make the sanctions a high priority because they believe they are not directly affected by North Korea. In addition, member states that are geographically distant from North Korea or lack a diplomatic or trade relationship with it may not see the need to implement the sanctions, according to representatives of the committee.

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The UN has taken some steps to address this impediment. The committee and the panel provide limited assistance to member states upon request in preparing and submitting reports. For example, the committee has developed and issued a checklist template that helps member states indicate the measures, procedures, legislation, and regulations or policies that have been adopted to address various UNSCR measures relevant to member states' national implementation reports. A committee member indicated that the committee developed a list of 25 to 30 member states where outreach would most likely have an impact on reporting outcomes. The panel reported in its 2015 final report that it sent 95 reminder letters to the member states that have not submitted implementation reports, emphasizing the importance of submitting reports and that the panel is available to provide assistance.

Despite the steps the UN has taken to help member states adhere to reporting provisions, the panel's 2015 report continues to identify the lack of member states' reports as an impediment. The panel stated that it is incumbent on member states to implement the measures in the UN Security Council resolutions more robustly in order to counter North Korea's continued violations, and that while the resolutions provide member states with tools to curb the prohibited activities of North Korea, they are effective only when implemented.

State Department officials informed us that the United States has offered technical assistance to some member states for preventing proliferation and implementing sanctions. However, they were unable to determine the extent to which the United States has provided specific assistance aimed at ensuring that member states provide the UN with the implementation reports it needs to assess member state implementation of UN sanctions on North Korea.

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## Conclusions

North Korea's actions pose threats to the security of the United States and other UN members. Both the United States and the UN face impediments to implementing the sanctions they have imposed in response to these actions. While the United States has recently taken steps to provide more flexibility to impose sanctions, and thereby possibly impose more sanctions on North Korean persons, the United Nations is seeking to address the challenge posed by many UN member states not providing the UN with implementation information. According to U.S. officials, many member states require additional technical assistance to develop the implementation reports needed by the panel. The lack of implementation reports from member states impedes the panel's ability to

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examine and analyze information about member state implementation of North Korea sanctions.

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## Recommendation for Executive Action

GAO recommends the Secretary of State work with the UN Security Council to ensure that member states receive technical assistance to help prepare and submit reports on their implementation of UN sanctions on North Korea.

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## Agency Comments

We provided a draft of this report to the Departments of State, Treasury, and Commerce for comment. In its written comments, reproduced in Appendix IV, State concurred with our recommendation. Treasury and Commerce declined to provide written comments. State, Treasury, and Commerce provided technical comments, which were incorporated into the draft as appropriate.

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We are sending copies of this report to the appropriate congressional committees, the Secretaries of State, Treasury, and Commerce, the U.S. Ambassador to the United Nations, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Sincerely yours,



Thomas Melito  
Director, International Affairs and Trade

# Appendix I: United States and United Nations Sanctions Related to North Korea and Iran

The United States and the United Nations (UN) Security Council have imposed a wide range of sanctions against North Korea and Iran as part of their broader efforts to prevent the proliferation of weapons of mass destruction. Table 4 compares the major activities targeted by U.S. and UN sanctions on those countries.

**Table 4: Activities Targeted by U.S. and United Nations Sanctions Specific to North Korea and Iran**

Targeted activities	North Korea	Iran
Financial transactions with targeted persons	X	X
Weapons of mass destruction proliferation and/or arms and missile transfers	X	X
Human rights abuses/ violations	X	X
Censorship		X
Engagement with specific industries (i.e. petroleum, telecommunication)		X
Trade with targeted persons	X	X
Transit of persons engaged in targeted activities	X	X
Evasion of sanctions	X	X

Source: GAO analysis based on U.S. executive orders and laws and United Nations Security Council Resolutions related to North Korea and Iran. | GAO-15-485

Officials from the Department of State, the Department of the Treasury, and other sources identified the following factors that may influence the types of sanctions imposed by the United States and the UN on these countries.

- *Different political systems.* North Korea is an isolated society that is under the exclusive rule of a dictator who controls all aspects of the North Korean political system, including the legislative and judicial processes. Though Iran operates under a theocratic political system, with a religious leader serving as its chief of state, Iranian citizens participate in popular elections for president and members of its legislative branch.
- *Different economic systems.* North Korea has a centrally planned economy generally isolated from the rest of the world. It exports most of its basic commodities to China, its closest ally. Iran, as a major exporter of oil and petrochemical products, has several major trade partners, including China, India, Turkey, South Korea, and Japan.

- *Different social environments.* North Korea's dictatorship tightly controls the activities of its citizens by restricting travel; prohibiting access to the Internet; and controlling all forms of media, communication, and political expression. In contrast, Iranian citizens travel abroad relatively freely, communicate with one another and the world through the Internet and social media, and can hold political protests and demonstrations.

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# Appendix II: Objectives, Scope, and Methodology

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This report (1) identifies the activities that are targeted by U.S. and United Nations (UN) sanctions specific to North Korea, (2) describes how the United States implements its sanctions specific to North Korea and examines the challenges it faces in doing so, and (3) describes how the UN implements its sanctions specific to North Korea and examines the challenges it faces in doing so. In appendix I, we compare U.S. and UN North Korea–specific sanctions with those specific to Iran. (See app. I.)

To address our first objective, we reviewed U.S. executive orders and laws and UN Security Council resolutions issued from 2006 to 2015 with sanctions related to North Korea. We also interviewed officials from the Department of State (State), the Department of the Treasury (Treasury), and the UN to confirm the universe of North Korea–specific sanctions. We also interviewed these officials to determine any other executive orders, laws, or resolutions not specific to North Korea that they have used to impose sanctions on North Korea during this time period. We then analyzed the executive orders, laws, and resolutions to identify the activities targeted by the sanctions.

To address our second objective, we interviewed State and Treasury officials to determine the process that each agency follows to impose sanctions on North Korea and related persons. We also spoke with State, Treasury and Commerce officials to identify the challenges that U.S. agencies face in implementing sanctions related to North Korea. We interviewed Department of Commerce (Commerce) officials to learn about how the U.S. government controls exports to North Korea. We analyzed documents and information from State and Treasury to determine the number of North Korean entities that have been sanctioned since 2006.

To address our third objective, we reviewed UN documents and interviewed UN officials to determine the process that the UN uses to impose sanctions on North Korea and related entities. We reviewed United Nations security resolutions relevant to North Korea, 1718 Committee guidelines and reports, and Panel of Expert guidelines and reports. We interviewed relevant officials at the U.S. State Department and traveled to New York to visit UN headquarters and interview officials from the U.S. Mission to the United Nations and members of the UN 1718 Committee. We interviewed two former members of the Panel of Experts to obtain their views on the UN process for making North Korea sanctions determinations. We also reviewed the 1718 Committee’s sanctions list to determine the number of designations the UN has made on North Korean or related entities and the reasons for designating. For examples of how the Panel of Experts has investigated cases of sanctions violations and

worked with member states through the investigation process, particularly related to the Cong Chon Gang case, we reviewed the panel's final reports summarizing its investigation findings and interviewed members of the 1718 Committee involved in conducting the investigation. To determine the extent to which member states are submitting reports on their implementation of UN sanctions on North Korea, we examined the 1718 Committee's record of member state implementation reports and interviewed 1718 Committee members. To identify the challenges the UN faces related to member state reporting and the efforts the UN has taken to help member states meet reporting provisions of the UN Security Council resolutions (UNSCR), we interviewed U.S. and UN officials, and reviewed 1718 Committee and Panel of Expert reports and documents. To examine the efforts the UN has taken to address the lack of member state reporting, we interviewed members of the UN 1718 Committee and reviewed documents outlining UN outreach efforts.

To compare U.S. and UN sanctions specific to North Korea and Iran (see app. I), we reviewed U.S. executive orders, laws, and UN Security Council resolutions with sanctions specific to North Korea and Iran. We analyzed these documents to identify the activities targeted by the sanctions. On the basis of a comprehensive literature review, we developed a list of targeted activities frequently identified in relation to North Korea and Iran sanctions and grouped these activities into high-level categories. To ensure data reliability in categorizing the targeted activities into high-level categories, we conducted a double-blind exercise whereby each member of our team reviewed the activities identified within the U.S. executive orders and laws and UN resolutions for each country and assigned each activity to a high-level category, such as financial transactions with targeted persons. We then compared the results, discussed any differences and reconciled our responses to reach consensus, and developed a matrix to compare the targeted activities for North Korea sanctions with those of Iran sanctions. We interviewed State and Treasury officials to discuss the differences in activities targeted by North Korea and Iran sanctions.

To develop appendix III, on United Nations member state implementation report submissions, we examined the UN 1718 Committee's website record of member state implementation reports. The record of member state implementation reports allowed us to determine the number of member states that have either reported or not reported.

# Appendix III: United Nations Member States Implementation Report Submissions, as of April 2015

Country	UNSCR 1718	UNSCR 1874	UNSCR 2094
Afghanistan	Not submitted	Not submitted	Not submitted
Albania	Submitted	Not submitted	Not submitted
Algeria	Submitted	Not submitted	Not submitted
Andorra	Submitted*	Submitted*	Not submitted
Angola	Not submitted	Not submitted	Not submitted
Antigua and Barbuda	Not submitted	Not submitted	Not submitted
Argentina	Submitted	Not submitted	Not submitted
Armenia	Submitted*	Submitted*	Not submitted
Australia	Submitted	Submitted	Submitted
Austria	Submitted	Submitted	Submitted
Azerbaijan	Submitted*	Submitted*	Submitted*
Bahamas	Not submitted	Not submitted	Not submitted
Bahrain, Kingdom of	Submitted	Not submitted	Submitted
Bangladesh	Not submitted	Not submitted	Not submitted
Barbados	Not submitted	Not submitted	Not submitted
Belarus	Submitted	Submitted	Submitted
Belgium	Submitted	Submitted	Submitted
Belize	Not submitted	Not submitted	Not submitted
Benin	Not submitted	Not submitted	Not submitted
Bhutan	Not submitted	Not submitted	Not submitted
Bolivia (Plurinational State of)	Not submitted	Not submitted	Not submitted
Bosnia and Herzegovina	Not submitted	Not submitted	Not submitted
Botswana	Not submitted	Not submitted	Not submitted
Brazil	Submitted*	Submitted*	Submitted
Brunei Darussalam	Submitted	Submitted	Not submitted
Bulgaria	Submitted*	Submitted*	Not submitted
Burkina Faso	Submitted*	Submitted*	Not submitted
Burundi	Not submitted	Not submitted	Not submitted
Cabo Verde	Not submitted	Not submitted	Not submitted
Cambodia	Not submitted	Not submitted	Not submitted
Cameroon	Not submitted	Not submitted	Not submitted
Canada	Submitted	Submitted	Not submitted
Central African Republic	Not submitted	Not submitted	Not submitted
Chad	Not submitted	Not submitted	Not submitted
Chile	Submitted	Submitted	Not submitted
China, People's Republic of	Submitted	Submitted	Submitted
Colombia	Submitted*	Submitted*	Submitted



**Appendix III: United Nations Member States  
Implementation Report Submissions, as of  
April 2015**

<b>Country</b>	<b>UNSCR 1718</b>	<b>UNSCR 1874</b>	<b>UNSCR 2094</b>
Comoros	Not submitted	Not submitted	Not submitted
Congo	Not submitted	Not submitted	Not submitted
Costa Rica	Not submitted	Not submitted	Not submitted
Côte d'Ivoire	Not submitted	Not submitted	Not submitted
Croatia	Submitted	Submitted	Not submitted
Cuba	Submitted	Submitted	Not submitted
Cyprus	Submitted*	Submitted*	Submitted*
Czech Republic	Submitted	Not submitted	Not submitted
Democratic People's Republic of Korea	Not submitted	Not submitted	Not submitted
Democratic Republic of the Congo	Not submitted	Not submitted	Not submitted
Denmark	Submitted	Submitted	Submitted
Djibouti	Not submitted	Not submitted	Not submitted
Dominica	Not submitted	Not submitted	Not submitted
Dominican Republic	Not submitted	Submitted	Not submitted
Ecuador	Submitted	Not submitted	Not submitted
Egypt	Submitted*	Submitted*	Not submitted
El Salvador	Not submitted	Not submitted	Not submitted
Equatorial Guinea	Not submitted	Not submitted	Not submitted
Eritrea	Not submitted	Not submitted	Not submitted
Estonia	Submitted*	Submitted*	Not submitted
Ethiopia	Not submitted	Not submitted	Not submitted
Fiji	Not submitted	Not submitted	Not submitted
Finland	Submitted	Submitted	Not submitted
France	Submitted*	Submitted*	Submitted
Gabon	Not submitted	Not submitted	Not submitted
Gambia, The	Not submitted	Not submitted	Not submitted
Georgia	Submitted*	Submitted*	Not submitted
Germany	Submitted	Submitted	Submitted
Ghana	Not submitted	Not submitted	Not submitted
Greece	Submitted	Submitted	Submitted
Grenada	Not submitted	Not submitted	Not submitted
Guatemala	Submitted	Not submitted	Not submitted
Guinea	Not submitted	Not submitted	Not submitted
Guinea Bissau	Not submitted	Not submitted	Not submitted
Guyana	Submitted*	Submitted*	Not submitted
Haiti	Not submitted	Not submitted	Not submitted
Honduras	Not submitted	Not submitted	Not submitted

**Appendix III: United Nations Member States  
Implementation Report Submissions, as of  
April 2015**

<b>Country</b>	<b>UNSCR 1718</b>	<b>UNSCR 1874</b>	<b>UNSCR 2094</b>
Hungary	Submitted	Submitted	Not submitted
Iceland	Not submitted	Submitted	Not submitted
India	Submitted	Submitted	Not submitted
Indonesia	Submitted	Not submitted	Not submitted
Iran (Islamic Republic of)	Not submitted	Not submitted	Not submitted
Iraq	Not submitted	Not submitted	Not submitted
Ireland	Not submitted	Submitted	Not submitted
Israel	Submitted	Submitted	Not submitted
Italy	Submitted	Submitted	Not submitted
Jamaica	Not submitted	Not submitted	Not submitted
Japan	Submitted	Submitted	Submitted
Jordan, Hashemite Kingdom of	Submitted*	Submitted*	Submitted*
Kazakhstan	Submitted*	Submitted*	Not submitted
Kenya	Not submitted	Not submitted	Not submitted
Kiribati	Not submitted	Not submitted	Not submitted
Korea, Republic of	Submitted	Submitted	Submitted
Kuwait	Submitted	Not submitted	Not submitted
Kyrgyzstan	Submitted	Not submitted	Not submitted
Lao People's Democratic Republic	Not submitted	Submitted	Not submitted
Latvia	Submitted*	Submitted*	Submitted
Lebanon	Not submitted	Submitted	Not submitted
Lesotho	Not submitted	Not submitted	Not submitted
Liberia	Not submitted	Not submitted	Not submitted
Libya	Not submitted	Not submitted	Not submitted
Liechtenstein	Submitted	Submitted	Not submitted
Lithuania	Submitted*	Submitted*	Submitted
Luxembourg	Submitted*	Submitted*	Submitted
Madagascar	Not submitted	Not submitted	Not submitted
Malawi	Not submitted	Not submitted	Not submitted
Malaysia	Not submitted	Not submitted	Not submitted
Maldives	Submitted	Not submitted	Not submitted
Mali	Not submitted	Not submitted	Not submitted
Malta	Submitted*	Submitted*	Submitted*
Marshall Islands	Submitted	Not submitted	Not submitted
Mauritania	Not submitted	Not submitted	Not submitted
Mauritius	Not submitted	Not submitted	Not submitted
Mexico	Submitted	Submitted	Submitted

**Appendix III: United Nations Member States  
Implementation Report Submissions, as of  
April 2015**

<b>Country</b>	<b>UNSCR 1718</b>	<b>UNSCR 1874</b>	<b>UNSCR 2094</b>
Micronesia (Federated States of)	Not submitted	Not submitted	Not submitted
Moldova	Submitted*	Submitted*	Not submitted
Monaco	Not submitted	Submitted	Not submitted
Mongolia	Submitted*	Submitted*	Submitted*
Montenegro	Submitted*	Submitted*	Not submitted
Morocco	Submitted*	Submitted*	Submitted*
Mozambique	Not submitted	Not submitted	Not submitted
Myanmar	Not submitted	Not submitted	Not submitted
Namibia	Not submitted	Not submitted	Not submitted
Nauru	Not submitted	Not submitted	Not submitted
Nepal	Not submitted	Not submitted	Not submitted
Netherlands	Submitted	Submitted	Not submitted
New Zealand	Submitted	Submitted	Submitted
Nicaragua	Not submitted	Not submitted	Not submitted
Niger	Not submitted	Not submitted	Not submitted
Nigeria	Submitted*	Submitted*	Not submitted
Norway	Submitted	Submitted	Not submitted
Oman	Not submitted	Not submitted	Not submitted
Pakistan	Submitted	Submitted	Submitted
Palau	Not submitted	Not submitted	Not submitted
Panama	Submitted*	Submitted*	Not submitted
Papua New Guinea	Not submitted	Not submitted	Not submitted
Paraguay	Not submitted	Not submitted	Not submitted
Peru	Submitted	Submitted	Not submitted
Philippines	Submitted*	Submitted*	Submitted*
Poland	Submitted	Submitted	Not submitted
Portugal	Submitted	Submitted	Not submitted
Qatar	Submitted	Not submitted	Submitted
Romania	Submitted	Submitted	Not submitted
Russian Federation	Submitted	Submitted	Submitted
Rwanda	Not submitted	Not submitted	Not submitted
Saint Kitts and Nevis	Not submitted	Not submitted	Not submitted
Saint Lucia	Not submitted	Not submitted	Not submitted
Saint Vincent and the Grenadines	Not submitted	Not submitted	Not submitted
Samoa	Not submitted	Not submitted	Not submitted
San Marino	Submitted*	Submitted*	Not submitted
São Tome and Príncipe	Not submitted	Not submitted	Not submitted

**Appendix III: United Nations Member States  
Implementation Report Submissions, as of  
April 2015**

<b>Country</b>	<b>UNSCR 1718</b>	<b>UNSCR 1874</b>	<b>UNSCR 2094</b>
Saudi Arabia	Submitted	Submitted*	Submitted*
Senegal	Not submitted	Not submitted	Not submitted
Serbia	Submitted	Submitted	Submitted
Seychelles	Not submitted	Not submitted	Not submitted
Sierra Leone	Not submitted	Not submitted	Not submitted
Singapore	Submitted	Submitted	Submitted
Slovakia	Submitted	Submitted	Not submitted
Slovenia	Submitted	Not submitted	Not submitted
Solomon Islands	Not submitted	Not submitted	Not submitted
Somalia	Not submitted	Not submitted	Not submitted
South Africa	Submitted	Submitted	Not submitted
South Sudan	Not submitted	Not submitted	Not submitted
Spain	Submitted*	Submitted*	Not submitted
Sri Lanka	Submitted	Not submitted	Not submitted
Sudan	Not submitted	Not submitted	Not submitted
Suriname	Not submitted	Not submitted	Not submitted
Swaziland	Not submitted	Not submitted	Not submitted
Sweden	Submitted	Submitted	Submitted
Switzerland	Submitted	Submitted	Submitted
Syrian Arab Republic	Not submitted	Not submitted	Not submitted
Tajikistan	Not submitted	Not submitted	Not submitted
Thailand	Submitted	Submitted	Not submitted
The former Yugoslav Republic of Macedonia	Submitted	Submitted	Not submitted
Timor-Leste	Not submitted	Not submitted	Not submitted
Togo	Not submitted	Not submitted	Not submitted
Tonga	Not submitted	Not submitted	Not submitted
Trinidad and Tobago	Not submitted	Not submitted	Not submitted
Tunisia	Not submitted	Not submitted	Not submitted
Turkey	Submitted	Submitted	Not submitted
Turkmenistan	Submitted	Not submitted	Not submitted
Tuvalu	Not submitted	Not submitted	Not submitted
Uganda	Submitted*	Submitted*	Not submitted
Ukraine	Submitted	Not submitted	Not submitted
United Arab Emirates	Submitted	Not submitted	Not submitted
United Kingdom	Submitted	Submitted	Submitted
United Republic of Tanzania	Not submitted	Not submitted	Not submitted
United States of America	Submitted	Submitted	Submitted

**Appendix III: United Nations Member States  
Implementation Report Submissions, as of  
April 2015**

<b>Country</b>	<b>UNSCR 1718</b>	<b>UNSCR 1874</b>	<b>UNSCR 2094</b>
Uruguay	Not submitted	Not submitted	Not submitted
Uzbekistan	Submitted*	Submitted*	Not submitted
Vanuatu	Not submitted	Not submitted	Not submitted
Venezuela (Bolivarian Republic of)	Not submitted	Not submitted	Not submitted
Viet Nam, Socialist Republic of	Submitted	Submitted	Submitted
Yemen	Not submitted	Not submitted	Not submitted
Zambia	Not submitted	Not submitted	Not submitted
Zimbabwe	Not submitted	Not submitted	Not submitted
European Union (Finland)	Submitted	Not submitted	Not submitted

Source: GAO analysis of UN information. | GAO-15-485

Note: United Nations member state implementation reports can be viewed on the committee's website, at: <http://www.un.org/sc/committees/1718/mstatesreports.shtml>. (\*) indicates that the submission was part of a combined implementation report.

# Appendix IV: Comments from the Department of State



United States Department of State

Comptroller

Washington, DC 20520

MAY 01 2015

Dr. Loren Yager  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "NORTH KOREA SANCTIONS: U.S. Has Increased Flexibility to Impose Sanctions, but UN is Impeded by a Lack of Member State Reports" GAO Job Code 321035.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Thomas Zarzecki, Foreign Affairs Officer, Office of Counterproliferation Initiatives, Bureau of International Security and Nonproliferation at (202) 647-7594.

Sincerely,

A handwritten signature in blue ink that reads "Christopher H. Flaggs".

Christopher H. Flaggs

Enclosure:  
As stated.

cc: GAO – Thomas Melito  
ISN – Vann Van Diepen  
State/OIG - Norman Brown

**Department of State Comments on GAO Draft**

NORTH KOREA SANCTIONS: U.S. Has Increased Flexibility to Impose  
Sanctions, but UN Is Impeded by a Lack of Member State Reports  
(GAO-15-485, GAO Code 321035)

The Department appreciates the opportunity to comment on the GAO draft report entitled “*North Korea Sanctions: U.S. Has Increased Flexibility to Impose Sanctions, but UN Is Impeded by a Lack of Member State Reports.*”

The Department of State agrees with the recommendation and already works closely with many other UN Member States on the implementation of the North Korea-related UN Security Council resolutions (UNSCRs), and strongly urges all States to submit their implementation reports called for in the UNSCRs. Submission of a national implementation report is, however, only one action among many that a State can and should take to strengthen is implementation of the UNSCRs.

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# Appendix V: GAO Contact and Staff Acknowledgments

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## GAO Contact

Thomas Melito, (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Pierre Toureille (Assistant Director), Leah DeWolf, Christina Bruff, Mason Thorpe Calhoun, Tina Cheng, Karen Deans, Justin Fisher, Toni Gillich, Michael Hoffman, and Grace Lui made key contributions to this report.



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# Appendix VI: Accessible Data

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**Data for Figure 1: Timeline of North Korean Actions and United States and United Nations Sanctions**

- 2006
  - North Korea launches ballistic missiles
  - UNSCR 1695
  - North Korea first nuclear test
  - North Korea added to INKSNA
  - UNSCR 1718
- 2008
  - EO 13466
- 2009
  - North Korea launches ballistic missiles
  - North Korean second nuclear test
  - UNSCR 1874
- 2010
  - North Korea torpedoes South Korean
  - EO 13551
- 2011
  - EO 13570
- 2012
  - EO 13619
  - North Korea Launches ballistic missiles
- 2013
  - UNSCR 2087
  - North Korean Third Nuclear test
  - UNSCR 2094
- 2014
  - North Korea launches a cyber attack against Sony Pictures Entertainment
- 2015
  - EO 13687

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**Data for Figure 2: U.S. Process for North Korea Sanctions Determinations**

- 1) Treasury reviews intelligence and other information on potential sanctions targets**
  - a) Office of Foreign Assets Control review
    - i) Treasury reviews evidence to determine if the targets meet the criteria for designation under Treasury-led executive orders: EO 13551, EO 13619, EO 13687, and EO 13382 (for secondary targets)
  - b) Evidentiary Process
    - i) Office of Foreign Assets Control drafts an evidentiary record and proposed recommendation for agency action. These documents are reviewed to ensure that the evidence is sufficient to impose sanctions.
  - c) Determination
    - i) Director of the Office of Foreign Assets Control makes the final determination in consultation with the Secretary of State.
  - d) Director of the Office of Foreign Assets Control makes the final determination in consultation with the Secretary of State.
- 1) State-led interagency working groups review intelligence and other information on potential sanctions targets**
  - a) Office of Counterproliferation Initiatives review
    - i) State analyzes evidence to determine if the targets meet the criteria for designation under State-led executive order 13382.
  - b) Evidentiary Process
    - i) State's Bureau of International Security and Nonproliferation, Office of Counterproliferation Initiatives drafts a decision memorandum that is reviewed to ensure that the evidence is sufficient to impose sanctions.
  - c) Determination

- 
- i) The Secretary of State or his/her designee makes the final determination in consultation with the Office for Foreign Assets Control.
  - d) Specially Designated Nationals List and Federal Register.
    - i) Treasury Updates the Specially Designated Nationals List for persons subject to an asset freeze. Agencies publicize final sanctions determinations in the Federal Register.
- 1) State-led interagency working groups review intelligence and other information on potential sanctions targets**
- a) Office of Missile, Biological and Chemical Nonproliferation review
    - i) State analyzes evidence to determine if the targets meet the criteria for designation under State-led executive order 12938 as well as INKSNA and Missile Sanctions laws./a/
  - b) Evidentiary Process
    - i) State's Bureau of International Security and Nonproliferation, Office of Missile, Biological, and Chemical Nonproliferation drafts a decision memorandum that is reviewed to ensure that the evidence is sufficient to impose sanctions.
  - c) Determination
    - i) The Secretary of State or his/her designee makes the final determination in consultation with the Office for Foreign Assets Control.
  - d) Specially Designated Nationals List and Federal Register.
    - i) Treasury Updates the Specially Designated Nationals List for persons subject to an asset freeze. Agencies publicize final sanctions determinations in the Federal Register.

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**Data for Figure 3: United Nations North Korea Sanctions Designation Process**

- 1) 1718 Committee

- a) The 1718 Committee instructs the Panel of Experts to launch investigations of suspected sanctions violations cases. UN member states are required to submit information regarding non-compliance with measures imposed by the relevant Security Council resolutions to the 1718 Committee.

2) Panel of Experts

- a) Reviews information on violations sent by member states and conducts investigations based on requests made by the 1718 Committee. Member states can also confidentially send evidence of violations to the UN Panel of Experts for investigation.

3) Incident Reports

- a) The Panel of Experts confidentially submits incident reports to the 1718 Committee outlining their investigation results and recommendations for sanctions designation and issues interim and final reports summarizing the incidents and recommendations for sanctions designation.

4) 1718 Committee

- a) The 1718 Committee meets every 1-2 months to review and consider the Panel of Experts' incident reports. The 1718 Committee makes sanctions designations by consensus. If consensus is not reached, the case could be referred to the UN Security Council.

- i) Lack of consensus

- (1) United Nations Security Council

- (a) Reviews cases of sanctions violations referred by the 1718 Committee.

- ii) Consensus reached

5) Sanction Designation or United Nations Security Council Resolution

6) Member States

- a) Member states are required to implement the UN Security Council resolution and report on the measures they have taken to implement the various provisions of the resolution within 45 to 90 days of the resolution's adoption.

**Data Table for Figure 4: Shipment of Arms Found Concealed on North Korean Vessel Chong Chon Gang**

<b>Targeted activities</b>	<b>North Korea</b>	<b>Iran</b>
Financial transactions with targeted persons	<b>Yes</b>	<b>Yes</b>
Weapons of mass destruction proliferation and/or arms and missile transfers	<b>Yes</b>	<b>Yes</b>
Human rights abuses/ violations	<b>Yes</b>	<b>Yes</b>
Censorship	<b>No</b>	<b>Yes</b>
Engagement with specific industries (i.e. petroleum, telecommunication)	<b>No</b>	<b>Yes</b>
Trade with targeted persons	<b>Yes</b>	<b>Yes</b>
Transit of persons engaged in targeted activities	<b>Yes</b>	<b>Yes</b>
Evasion of sanctions	<b>Yes</b>	<b>Yes</b>

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