



Exports & Reexports to North Korea

Overview

The Secretary of State has designated North Korea as a country whose government has repeatedly provided support for acts of international terrorism. While the United States does not have a comprehensive embargo on North Korea, it does maintain economic sanctions. The Department of Commerce's Bureau of Industry and Security (BIS) is the licensing authority for exports and reexports to North Korea. The Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for maintaining other aspects of the sanctions, including restrictions on imports from North Korea and on certain financial transactions.

BIS requires a license for virtually all items on the Commerce Control List (CCL) when proposed for export to North Korea. Items subject to the Export Administration Regulations (EAR) that are not specifically listed on the CCL (called "EAR99" items) do not require an export license to North Korea unless you know, have reason to know, or are otherwise individually informed by BIS with respect to a specific transaction that the item will be used in activities related to nuclear, chemical, or biological weapons or missile deliver systems. BIS maintains controls on a small subset of normally-EAR99 items that were added to the CCL in special Export Control Classification Numbers (ECCNs) that are controlled for Anti-Terrorism (AT) reasons to North Korea only.

Exporters and reexporters are cautioned that, due to recent disclosures regarding North Korea's nuclear program, the United States and its partners in the Nuclear Suppliers Group (NSG) have drafted a "Watch List" of items not currently controlled by the NSG. These items do not meet the licensing threshold of the NSG export control regime; however, these items may make a material contribution to nuclear activities of concern. Many of the items on the "Watch List" are already controlled by the United States unilaterally for Anti-Terrorism reasons, so the U.S. Government already requires a license for export or reexport of some of these items to North Korea. While the expanded "Watch List" is not intended to be the basis of expanded NSG controls, it has increased the scrutiny of proposed exports of non-regime controlled items, some of which would be classified as EAR99 under the EAR, from NSG member countries to North Korea. Additionally, the NSG has included the "Watch List" in its outreach program to heighten awareness and scrutiny of these items to non-NSG members and in particular to transshipment states.

Background

The United States has maintained economic sanctions on North Korea since 1950. The U.S. Government has revised these sanctions several times, most recently on June 19, 2000, when the

sanctions were eased in order to improve relations, to support the Agreed Framework, and to encourage North Korea to continue to refrain from testing long-range missiles.

BIS requires a license for virtually all items on the CCL when proposed for export to North Korea, except in a few instances when exporters may use an eligible license exception. This license requirement includes U.S.-origin items subject to AT controls maintained by the U.S. Government for exports or reexports to North Korea. These AT controls fall into two categories: those controlled under section 6(a) of the Export Administration Act (EAA) of 1979, as amended; and those controlled under section 6(j) of the EAA. BIS has included a comprehensive listing of these items in Supplement No. 2 to Part 742 of the EAR.

BIS requires a license for the export or reexport of the following items to any end-user in North Korea pursuant to section 6(a):

- all aircraft, helicopters, engines, and related spare parts and components, with the exception of aircraft parts and components to ensure the safety of flight of commercial passenger aircraft, which the U.S. Government reviews on a case-by-case basis with a presumption of approval;
- cryptographic, cryptoanalytic, and cryptologic items;
- submersible systems;
- scuba gear and related equipment, and pressurized aircraft breathing equipment;
- explosives detection equipment and related software and technology;
- commercial charges and devices;
- computer numerically controlled machine tools;
- aircraft skin and spar milling machines;
- certain semiconductor manufacturing equipment;
- digital computers with a CTP above 2000;
- microprocessors with a CTP of 550 or above;
- ammonium nitrate, including certain fertilizers containing ammonium nitrate; and
- technology for the production of Chemical Weapons Convention (CWC) Schedule 2 and 3 chemicals.

The U.S. Government reviews applications for items controlled for 6(a) reasons to determine if the items could make a significant contribution to the military potential of North Korea or could enhance North Korea's ability to support acts of international terrorism. If the assessment finds in the affirmative, the application is generally denied. Other applications of these items are considered on a case-by-case basis.

In addition, the following items are controlled by the U.S. Government pursuant to section 6(j):

- all items subject to National Security (NS) controls;
- all items subject to Chemical and Biological Weapons Proliferation (CB or CW) controls;
- all items subject to missile proliferation (MT) controls;
- all items subject to nuclear weapons proliferation (NP) controls; and

- Military-related items controlled for NS reasons and in an Export Control Classification Number (ECCN) on the CCL ending in “18”.

BIS generally denies any license applications for such items when destined for the military, police, intelligence, or other end-users in North Korea. Congress must be notified 30 days prior to issuance of a license for any 6(j) item. License applications for items controlled pursuant to section 6(a) are also reviewed to determine if this notification requirement is applicable based on the intended end-user.



BIS reviews proposed exports and reexports to North Korea of all other items on a case-by-case basis if the proposed export is destined to non-military end-users or for non-military end-uses.

A reexport license is not required for U.S.-origin controlled items if the U.S. origin items are incorporated into a foreign product and constitute 10 percent or less of the total value of the foreign made product. However, certain U.S. controlled semiconductors, high speed interconnect devices, and encryption software are not eligible for this *de minimis* treatment. Reexporters should consult part 734.4 of the EAR for more details on *de minimis* eligibility.

Part of the U.S. Government's easing of sanctions against North Korea in June 2000 included the removal of the license requirement for exports and reexports to North Korea for items classified as EAR99. At the same time, a small subset of normally-EAR99 items which the U.S. Government deemed useful in

proliferation activities was added to the CCL in newly created ECCNs ending in “999” and controlled for AT reasons to North Korea only.

In December 2002, the U.S. Government introduced a “Watch List” of items not controlled by the NSG that contribute to nuclear programs for consideration at the NSG Plenary. The NSG is using this list to heighten awareness of non-NSG-controlled items that could contribute to North Korea's nuclear program. The U.S. Government already controls many of these items on the CCL in the “999” ECCNs. While the expanded “Watch List” is not intended to be the basis of expanded NSG controls, it has increased the scrutiny of proposed exports from NSG member countries to North Korea.

Exporters and reexporters are reminded that a license is required for EAR99 items destined to North Korea if you know, have reason to know, or are otherwise individually informed by BIS

with respect to a specific transaction that the item will be used in activities related to nuclear, chemical, or biological weapons or missile deliver systems as defined in part 744 of the EAR. The “Know Your Customer” guidance in Supplement 3 to part 732 of the EAR is provided to explain the “knowledge” standard that applies to these license requirements. In addition, prior to any export, we recommend that you review the ten prohibitions outlined in part 736 of the EAR as part of your overall review of export requirements.

If you have specific inquiries regarding exports or reexports to North Korea, please contact the BIS Export Counseling Division at 202-482-4811 or submit a query from the BIS webpage.

U.S. Trade with North Korea

There has been little BIS licensing activity for North Korea. Most of the items authorized for export were controlled for AT reasons.

Licensed Trade with North Korea: Number

	2001	2002	Jan.-June 2003
Approved	9	7	0
Denied	0	0	0
Returned without Action	6	13	0

Licensed Trade with North Korea: Value

	2001	2002	Jan.-June 2003
Approved	\$1.4 million	\$ 2.7 million	0
Denied	0	0	0
Returned without Action	\$20.3 million	\$22.7 million	0

- Source: Bureau of Industry and Security ECASS Licensing Database, August 2003

Prepared August 2003

**All Export Commodities: FAS Value by FAS Value
For North Korea**

U.S. Total Exports

Annual + Year-To-Date Data from Jan - May

HTS Number	2001	2002	2002 YTD	2003 YTD
	<i>In Actual Dollars</i>			
1001902055 WHEAT AND MESLIN, EXCEPT SEED, NESOI	0	12,392,314	1,340,705	471,832
1515908000 FIXED VEGETABLE FATS AND OILS, NESOI, WHETHER OR NOT REFINED, NOT CHEMICALLY MODIFIED	0	4,304,435	221,832	0
1006204080 RICE, MIXTURES OF HUSKED (BROWN), ANY SIZE GRAIN	0	2,536,627	0	0
1901909082 CORN-SOYA MILK BLENDS	0	2,536,538	0	0
0402100000 MILK AND CREAM, CONCENTRATED, WHETHER OR NOT SWEETENED, IN POWDER, GRANULES OR OTHER SOLID FORMS, FAT CONTENT NOT EXCEEDING 1.5%	0	1,539,460	1,539,460	0
Subtotal :	0	23,309,374	3,101,997	471,832
All Other:	650,340	1,702,883	933,729	456,633
Total	650,340	25,012,257	4,035,726	928,465

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Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce, the U.S. Treasury, and the U.S. International Trade Commission.



# U.S. Trade Balance with North Korea

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## Trade with North Korea : 2003

*NOTE: All figures are in millions of U.S. dollars*

| MONTH        | EXPORTS     | IMPORTS     | BALANCE     |
|--------------|-------------|-------------|-------------|
| January      | 0.00        | 0.10        | -0.10       |
| April        | 0.90        | 0.00        | 0.90        |
| <b>TOTAL</b> | <b>0.90</b> | <b>0.10</b> | <b>0.80</b> |

- *TOTALS may not add due to rounding.*
- *Table reflects only those months for which there was trade.*
- *CONTACT: Data Dissemination Branch, (301)763-2311*
- *SOURCE: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233*

## Trade with North Korea : 2002

*NOTE: All figures are in millions of U.S. dollars*

| MONTH        | EXPORTS      | IMPORTS     | BALANCE      |
|--------------|--------------|-------------|--------------|
| February     | 0.20         | 0.00        | 0.20         |
| March        | 1.90         | 0.00        | 1.90         |
| April        | 1.80         | 0.00        | 1.80         |
| May          | 0.40         | 0.00        | 0.40         |
| June         | 0.50         | 0.00        | 0.50         |
| July         | 8.60         | 0.00        | 8.60         |
| August       | 5.00         | 0.00        | 5.00         |
| September    | 0.70         | 0.00        | 0.70         |
| October      | 3.90         | 0.00        | 3.90         |
| November     | 1.00         | 0.00        | 1.00         |
| December     | 1.10         | 0.10        | 1.00         |
| <b>TOTAL</b> | <b>25.00</b> | <b>0.10</b> | <b>24.90</b> |

- *TOTALS may not add due to rounding.*
- *Table reflects only those months for which there was trade.*
- *CONTACT: Data Dissemination Branch, (301)763-2311*

- *SOURCE: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233*
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### **Trade with North Korea : 2001**

*NOTE: All figures are in millions of U.S. dollars*

| <b>MONTH</b> | <b>EXPORTS</b> | <b>IMPORTS</b> | <b>BALANCE</b> |
|--------------|----------------|----------------|----------------|
| December     | 0.50           | 0.00           | 0.50           |
| <b>TOTAL</b> | <b>0.70</b>    | <b>0.00</b>    | <b>0.70</b>    |

- *TOTALS may not add due to rounding.*
  - *Table reflects only those months for which there was trade.*
  - *CONTACT: Data Dissemination Branch, (301)763-2311*
  - *SOURCE: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233*
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## NUCLEAR SUPPLIERS GROUP EXTRAORDINARY PLENARY MEETING

13 DECEMBER 2002

VIENNA, AUSTRIA

### PRESS STATEMENT

The Nuclear Suppliers Group (NSG) held an Extraordinary Plenary Meeting at the Permanent Mission of Japan to the International Organisations in Vienna on 13 December 2002, under the Czech Chairmanship.

The aim of the NSG, which has 40 Participating Governments <sup>1)</sup> and the European Commission as permanent observer, is to contribute to prevention of the proliferation of nuclear weapons through export controls of nuclear-related material, equipment, software and technology without hindering international co-operation on peaceful uses of nuclear energy.

The Extraordinary Plenary Meeting was held to respond to the new proliferation and security challenges that threaten to strike at the foundations of the global non-proliferation regime. In response to the threat of nuclear terrorism, the Participating Governments of the NSG agreed to several comprehensive amendments to strengthen its Guidelines<sup>2)</sup>. These amendments are intended to prevent and counter the threat of diversion of nuclear exports to nuclear terrorism. The Plenary emphasised that effective export controls are an important tool to combat the threat of nuclear terrorism.

The Participating Governments of the NSG recalled the IAEA's Board of Governor's resolution of 29 November 2002, which recognised, inter alia, that a covert enrichment programme or any other covert nuclear activities would constitute a violation of the DPRK's international agreements, including their safeguards agreement pursuant to the NPT. The Plenary also took note of other concerns by Participating Governments that the recent activities of the DPRK are a clear violation of its commitments under the Agreed Framework and the Joint North-South Declaration on the Denuclearization of the Korean Peninsula. The Participating Governments of the NSG call on all states to exercise extreme vigilance that their exports and any goods or nuclear technologies that transit their territorial jurisdiction do not contribute to any aspect of a North Korean nuclear weapons effort, especially in light of current circumstances. The NSG and its Czech Chair stand ready at anytime to assist and provide information to all states for the purpose of maintaining vigilance to prevent the movement of nuclear and nuclear -related items and technologies to a DPRK nuclear weapons program.

The Participating Governments of the NSG call on all states to adopt enhanced export controls as a means to prevent the proliferation of nuclear weapons.

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1) Participating Governments of the NSG are: Argentina, Australia, Austria, Belarus, Belgium, Brazil, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Kazakhstan, Republic of Korea, Latvia, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden Switzerland, Turkey, Ukraine, United Kingdom, United States of America.

2) Published as IAEA Document INFCIRC/254 as amended.





U.S. Department of the Treasury  
Office of Foreign Assets Control



# NORTH KOREA

## What You Need To Know About Sanctions

### An overview of the Foreign Assets Control Regulations as they relate to North Korea Title 31 Part 500 of the U.S. Code of Federal Regulations

■ **INTRODUCTION** - The Foreign Assets Control Regulations, authorized under the Trading with the Enemy Act, established economic sanctions against the Democratic People's Republic of Korea ("North Korea") in 1950. They have been modified on several occasions, most recently on June 19, 2000, as a result of President Clinton's September 17, 1999 decision to ease economic sanctions against North Korea in order to improve relations, to support the Agreed Framework, and to encourage North Korea to continue to refrain from testing long-range missiles. The Regulations affect all U.S. citizens and permanent residents wherever they are located, all people and organizations physically in the United States, and all branches, subsidiaries and controlled affiliates of U.S. organizations throughout the world. They are administered by the U.S. Treasury Department's Office of Foreign Assets Control. Penalties for violating the sanctions range up to 10 years in prison, \$1,000,000 in corporate fines, and \$250,000 in individual fines. Civil penalties of up to \$55,000 per count may also be imposed.

This fact sheet is a broad summary of the Regulations.

■ **SELLING TO NORTH KOREA** - The June 19, 2000 amendments to the Foreign Assets Control Regulations ended the ban on exports to North Korea, provided that any exports or reexports to North Korea are licensed or otherwise authorized by the Department of Commerce or other appropriate agencies.

■ **BUYING FROM NORTH KOREA** - Pursuant to Sections 73 and 74 of the Arms Export Control Act (22 U.S.C. §§2797b-2797c), goods of North Korean origin may not be imported into the United States either directly or through third countries, without prior notification to and approval of the Office of Foreign Assets Control.

Importers must provide OFAC with written information as to whether the products to be imported were produced by (a) a foreign person designated by the Secretary of State as having engaged in missile technology proliferation activities; (b) an activity of the North Korean Government relating to the development or production of any missile equipment or technology; or (c) an activity of the North Korean Government affecting the development or production of electronics, space systems or equipment, and military aircraft.

In addition to the information just described, importers seeking an approval letter from OFAC must provide their name, address, telephone, fax, and e-mail addresses; a description of the product to be imported, including quantity and cost; the name and address of the producer of the product; the name of the location where the product was produced; and the name and address of the North Korean exporter. Requests for import review must be submitted by mail to North Korea Unit, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Ave., NW, Annex, Washington, DC 20220. After reviewing the information, OFAC will issue a letter indicating the results of the review to the person seeking to import the product.

U.S. depository institutions handling letters of credit or documentary collections involving imports from North Korea must obtain a copy of OFAC's approval letter from the importer before proceeding with such transactions. The letter must also be provided to the U.S. Customs Service before imports from North Korea will be allowed into the United States.

■ **TRAVELING TO NORTH KOREA** - U.S. passports are valid for travel to North Korea and individuals do not need U.S. Government permission to travel there. All transactions ordinarily incident to travel to, from and within North Korea and to maintenance within North Korea are authorized. U.S. travel service providers are authorized to organize group travel to North Korea, including transactions with North Korean carriers.

■ **ACCOUNTS, ASSETS, AND FINANCIAL TRANSACTIONS** - Property blocked as of June 16, 2000 remains blocked. All other transactions are authorized, provided they meet the criteria outlined in the June 19, 2000 amendments to the Foreign Assets Control Regulations described elsewhere in this summary. Remitters and recipients need to know that transfers from the North Korean Government that constitute donations to U.S. persons or with respect to which a U.S. person knows, or has reasonable cause to believe, that the transfer poses a risk of furthering terrorist acts in the United States are still prohibited.

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This document is explanatory only and does not have the force of law. The Executive Orders and implementing regulations relating to North Korea contain the legally binding provisions governing the sanctions and this document does not supplement or modify those Executive Orders or regulations.

The Treasury Department's Office of Foreign Assets Control also administers sanctions programs involving Iraq, Libya, the Federal Republic of Yugoslavia, the Republic of Serbia, Cuba, the National Union for the Total Independence of Angola (UNITA), Iran, Syria, Sudan, Burma (Myanmar), designated international terrorists and narcotics traffickers, Foreign Terrorist Organizations, and designated foreign persons who have engaged in activities related to the proliferation of weapons of mass destruction. For additional information about these programs or about the North Korean sanctions program, please contact the:

OFFICE OF FOREIGN ASSETS CONTROL  
U.S. Department of the Treasury  
Washington, D.C. 20220  
202/622-2490