

GAO

Report to Ranking Member, Committee
on Banking, Housing, and Urban
Affairs, U.S. Senate

October 2007

NONPROLIFERATION

U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results





Highlights of [GAO-08-21](#), a report to Ranking Member, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

Why GAO Did This Study

For decades, the United States has tried to impede nuclear proliferation networks that provide equipment to nuclear weapons development programs in countries such as Pakistan and Iran.

GAO was asked to examine U.S. efforts to counter nuclear proliferation networks, specifically the (1) status of U.S. efforts to strengthen multilateral controls, (2) impact of U.S. assistance to help other countries improve their legal and regulatory controls, and (3) impact of U.S. efforts to strengthen its enforcement activities.

GAO's findings focused on seven countries where network activities reportedly occurred.

What GAO Recommends

To assess the impact of the U.S. response to nuclear proliferation networks, GAO recommends that State assess countries receiving U.S. funding and document its risk analyses.

To assess U.S. agencies' progress in combating nuclear proliferation, GAO recommends that each agency modify its data collection processes to identify when enforcement actions involve nuclear proliferation.

Homeland Security and State generally concurred with our recommendations. Commerce and Treasury said recommendations should not be directed to them. We disagree as they cannot identify when certain enforcement actions involved nuclear proliferation.

To view the full product, including the scope and methodology, click on [GAO-08-21](#). For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

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U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results

What GAO Found

The United States has advocated several multilateral actions to counter nuclear proliferation networks. Although multilateral bodies have adopted some U.S. proposals, they have not adopted others. For example, the United States negotiated passage of a United Nations Security Council resolution that obligated all member states to adopt laws and regulations prohibiting the proliferation of weapons of mass destruction. It also led the development of watch lists of nuclear technologies that are not formally controlled by states and formation of a multilateral unit intended to analyze covert nuclear trade activities. However, one multilateral body has not adopted two key U.S. proposals made in 2004 to commit its members to add new restrictions on exporting sensitive nuclear technologies. Also, one multilateral organization has not adopted a recommendation for member states to provide it with more export data that would allow it to better detect covert nuclear activities.

The impact of U.S. bilateral assistance to strengthen countries' abilities to counter nuclear networks is uncertain because U.S. agencies do not consistently assess the results of this assistance. The impact of this assistance is difficult to determine because the Department of State did not evaluate either (1) the proliferation risk for all of the countries in which network activities are alleged to have occurred or (2) the results of its assistance efforts. Between 2003 and 2006, State and the Department of Energy provided about \$9 million to improve the export controls of seven countries in which nuclear proliferation network activities reportedly occurred. State did not evaluate either (1) the proliferation risk for all of the countries in which network activities are alleged to have occurred or (2) the results of its assistance efforts. State did not perform risk analyses for 11 of the 56 countries in its program for those years and did not document the basis for each country's proliferation threat level or explain how the risk analyses were done. Of the six countries in our study to which State provided assistance, State performed risk analyses for five. Also, State did not conduct program assessments for about 60 percent of its participating countries and for two of the six countries in our study that received assistance. Moreover, while State's program assessments characterize a country's export control system and its weaknesses, they do not assess how U.S. training efforts contributed to correcting weaknesses.

Relevant U.S. agencies are impaired from judging their progress in preventing nuclear networks because they cannot readily identify basic information on the number, nature, or details of all their enforcement activities involving nuclear proliferation. The U.S. government identified the prevention of nuclear proliferation as a high priority. U.S. agencies collect information, maintain lists of companies and individuals that they sanction, and maintain case files on investigations of suspected violations of U.S. law. However, most of these agencies cannot readily identify which enforcement activities involve nuclear proliferation as they cannot ensure that searching their case file databases for words, such as nuclear, would reveal all relevant cases.

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Abbreviations

CBP	Customs and Border Protection
DHS	Department of Homeland Security
DOD	Department of Defense
EAA	Export Administration Act
EXBS	Export Control and Related Border Security Assistance Program
FBI	Federal Bureau of Investigation
G8	Group of Eight
IAEA	International Atomic Energy Agency
ICE	Immigration and Customs Enforcement
ICP	International Counterproliferation Program
INECP	International Nonproliferation Export Control Program
NPT	Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
OFAC	Office of Foreign Assets Control
PSI	Proliferation Security Initiative
UAE	United Arab Emirates
UN	United Nations
WMD	weapons of mass destruction

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United States Government Accountability Office
Washington, DC 20548

October 31, 2007

The Honorable Richard C. Shelby
Ranking Member,
Committee on Banking, Housing,
and Urban Affairs
United States Senate

For decades, the United States has tried to impede the efforts of state-run nuclear proliferation networks that provide equipment or components to nuclear weapons development programs in countries such as Pakistan, India, Iraq, and more recently, North Korea and Iran. These networks use business and commercial practices to circumvent national and international restrictions against procuring the technologies necessary for developing nuclear weapons programs. The A.Q. Khan nuclear proliferation network, operated by the former head of Pakistan's nuclear weapons program, was the first private network to be run for profit rather than state purposes. The exposure of the network in 2003 illustrated how determined proliferators can effectively avoid export controls to acquire sensitive nuclear-related and dual-use technologies, which are technologies that can have both commercial and military applications. The network also highlighted the role that companies in several countries unwittingly played in facilitating sales as suppliers of technology or points of transit. In February 2004, the President announced the breakup of the A.Q. Khan network and the initiation of several programs and activities to strengthen nonproliferation actions.

The United States has addressed nuclear proliferation and networks through three means. First, the United States has conducted activities with multilateral bodies¹ such as the United Nations (UN), the Nuclear Suppliers Group (NSG),² the International Atomic Energy Agency (IAEA), and the Proliferation Security Initiative (PSI)³ to help curtail nuclear

¹Multilateral bodies include formal treaty-based organizations, like the United Nations and International Atomic Energy Agency, and informal, nonbinding arrangements of like-minded countries, like the Nuclear Suppliers Group and the Proliferation Security Initiative.

²NSG comprises 45 countries that are suppliers of nuclear-related technology.

³State lists about 80 countries as PSI participants.

proliferation. Second, it has provided bilateral assistance in the form of training and equipment to foreign governments to help them establish or strengthen laws and regulations to control exports of technology that could be used to develop nuclear weapons. Principal U.S. programs include the Export Control and Related Border Security Assistance Program (EXBS) and the International Nonproliferation Export Control Program (INECP), which are managed by the Departments of State and Energy, respectively. Third, on the national level, U.S. laws control the export of dual-use items from the United States to other countries. The U.S. government enforces these laws through activities such as inspections and investigations that may result in criminal or administrative penalties.

We examined the (1) status of U.S. efforts to strengthen multilateral controls to counter nuclear proliferation networks, (2) impact of U.S. bilateral assistance to help other countries improve their legal and regulatory controls against nuclear proliferation networks, and (3) impact of U.S. efforts to strengthen its national enforcement activities to combat nuclear proliferation networks.

To meet these objectives, we reviewed program documentation and interviewed knowledgeable officials from key U.S. agencies: the Departments of Commerce, Defense (DOD), Energy, Homeland Security (DHS), Justice, State, and Treasury. We focused our review on countries where, according to open-source reporting, A.Q. Khan network activities occurred. These include Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and Dubai in the United Arab Emirates (UAE). We did not travel to these countries because State cited foreign policy sensitivities of ongoing diplomatic discussions in these countries. It is important to note that the level of cooperation State provided on this review was erratic and resulted in a delay of several months in completing our work. Nonetheless, with information available from other sources, we were able to address the review's objectives. For the purposes of this report, we reviewed U.S. programs and activities that involved export controls and their enforcement, as nuclear networks typically engage in acts that violate or circumvent national and international export controls. Appendix I contains a detailed description of our scope and methodology. We conducted our review from September 2006 through August 2007 in accordance with generally accepted government auditing standards.

Results in Brief

The United States has initiated a range of multilateral efforts and proposals to counter nuclear proliferation networks. Although multilateral

bodies have adopted some U.S. proposals, they have not adopted others. First, the United States negotiated the passage of a UN Security Council resolution that obligated all member states to adopt laws and regulations prohibiting the proliferation of weapons of mass destruction. Second, the U.S. government led NSG, among other actions, to develop watch lists of nuclear technologies that are not formally controlled by member states. NSG has not adopted two other proposals. The first proposal would commit members not to export nuclear technology to states that lack the capability to develop the material necessary to make nuclear fuel or nuclear weapons. The second proposal would commit NSG members to refrain from providing nuclear-related technologies to countries that have not agreed to allow IAEA additional rights to inspect facilities suspected of covert nuclear activities. Third, IAEA addressed proliferation networks through several actions, such as forming a unit intended to analyze covert nuclear trade activities. However, IAEA has not yet adopted a U.S.-supported recommendation for member states to provide IAEA with export data that would allow the agency to better detect covert nuclear activities.

The U.S. government has focused on bilateral export control assistance to foreign countries to combat the sale of illicit nuclear-related technology through proliferation networks. Programs operated by State and Energy provide most of this assistance. Between 2003 and 2006, these programs provided about \$9 million in assistance⁴ to improve the export controls of seven countries in which nuclear proliferation network activities reportedly occurred.⁵ However, the impact of this assistance is difficult to determine because State did not evaluate either (1) the proliferation risk for all of the countries in which network activities are alleged to have occurred or (2) the results of its assistance efforts. State did not perform risk analyses for 11 of the 56 countries in its program for those years and did not document the basis for each country's proliferation threat level or explain how the risk analyses were done. Of the six countries in our study to which State provided assistance, State performed risk analyses for five. State did not conduct program assessments for about 60 percent of its

⁴This assistance provided training such as workshops to help countries improve their export control laws and regulations, and equipment, such as radiation detectors, that help export control officers locate illicit radioactive material.

⁵These countries were Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and UAE. State provided export control assistance to six of these countries, while Energy provided assistance to all seven.

participating countries or for two of the six countries in our study that received assistance. Moreover, while State's program assessments characterize a country's export control system and its weaknesses, they do not assess how U.S. training efforts contributed to correcting weaknesses. In contrast, Energy performed risk analyses and program assessments for all of its 45 participating countries between 2003 and 2006, which assess the contributions of the program's efforts toward strengthening the recipient country's export system. Despite the limitations of these assessments, State and Energy officials cited some positive changes in countries' export and border control systems as a result of U.S. assistance. For example, in 2006, Pakistan strengthened its export control laws by expanding the list of items for which it requires exporters to obtain licenses.

U.S. agencies engaged in export control enforcement activities are impaired from judging their progress in preventing nuclear proliferation networks because they cannot readily identify basic information on the number, nature, or details of all their enforcement activities involving nuclear proliferation. The Departments of Homeland Security, Justice, and Treasury cannot readily identify which of their enforcement activities involve nuclear proliferation because they do not categorize their activities in a way that would allow them to do so. Furthermore, some agencies that maintain lists of individuals and companies that have violated export control laws or engaged in weapons of mass destruction (WMD) proliferation could not identify all listed parties that engaged in nuclear proliferation. For example, none of the entities publicly identified in relation to the A.Q. Khan nuclear proliferation network appears on Treasury's specially designated nationals list.⁶ While facing this limitation, the U.S. government since 2003 has made several changes to its policies and procedures related to national enforcement activities that may strengthen its ability to prevent nuclear proliferation networks. The United States has created new sanctions programs to target and restrict the assets of WMD proliferators and their supporters,⁷ increased penalties for export control violations,⁸ and created a new WMD directorate in Justice in 2006

⁶Treasury maintains a specially designated nationals list that contains the names of individuals and entities that are subject to penalties under its various sanctions programs.

⁷Executive Order 13382, "Blocking Property of WMD Proliferations and Their Supporters," July 1, 2005.

⁸Public Law 109-177, USA Patriot Improvement and Reauthorization Act of 2005, March 9, 2006, and Public Law 110-96, International Emergency Economic Powers Enhancement Act, October 16, 2007.

to coordinate investigations aimed at preventing foreign nations from obtaining WMD technologies.

To help assess the impact of the U.S. response to the threat of nuclear proliferation networks, we recommend that State take the following two actions: (1) comply with State's guidance on assessing proliferation risk and the export control system for each country receiving EXBS funding and (2) document each risk analysis conducted to evaluate the progress made in alleviating those risks. To help assess how U.S. government agencies that engage in export control enforcement activities are accomplishing their stated goal of combating nuclear proliferation, we also recommend that the Departments of Commerce, Homeland Security, Justice, and Treasury modify their data collection processes to clearly identify when enforcement activities involve nuclear proliferation.

In comments on a draft of this report, DHS stated that it concurred with the substance and recommendations of the report. State said that it partially concurred with the recommendation to comply with its guidance on assessing proliferation risk and document risk analyses and planned to implement it. State disagreed with our findings that it had not conducted program assessments for 11 of 56 countries receiving EXBS assistance and not conducted and documented risk analyses for all countries. Nonetheless, as we stated in our draft, those program assessments that State conducted using its assessment tool did not evaluate the extent to which training and development efforts contribute to improved performance and results in the country, pursuant to federal guidance for human capital training. Moreover, State provided no evidence of other assessments.

In comments on a draft of this report, Commerce stated that the recommendation to modify its data collection processes to clearly identify when enforcement activities involve nuclear proliferation should not be directed to it. Commerce stated that the report recognized that it already has this capability. However, we directed this recommendation to Commerce because its various lists used for enforcement purposes cannot identify when names are listed for nuclear proliferation purposes. Commerce acknowledged this deficiency when it was unable to provide this type of information when we requested it. Treasury did not comment on our recommendations but stated that it can and does identify which entities have been designated for nuclear proliferation reasons at the time of designation. However, Treasury could not readily retrieve this information when we requested it and did not provide us with a complete list of entities designated for nuclear proliferation reasons.

Background

Proliferation networks use commercial and business practices to obtain materials, technology, and knowledge to further nuclear, chemical, biological, and radiological programs. Nuclear proliferation networks seek to circumvent national and international restrictions against procuring the technologies necessary for developing nuclear weapons programs. These networks exploit weak export control systems, procure dual-use goods with both nuclear and common industrial uses, and employ deceptive tactics such as front companies and falsified documents, according to the Department of Energy.

The A.Q. Khan network, established by the former head of Pakistan's nuclear weapons program, supplied Pakistan with nuclear technology for its national weapons program. However, it became a network that provided nuclear technology to any state for profit. The development of this network illustrates how determined proliferators can effectively circumvent existing export controls to acquire sensitive nuclear-related and dual-use technologies. According to Energy, the A.Q. Khan case illustrates the scope and magnitude of the threat of nuclear networks—how both weak export control systems and system gaps allowed a network to procure sensitive materials from states worldwide. The network also highlighted the role that companies in several countries, such as Malaysia, played in unwittingly facilitating sales as suppliers of technology or points of transit. According to open-source reporting, countries where A.Q. Khan proliferation network activities occurred included Germany, Japan, Malaysia, the Netherlands, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, United Arab Emirates (UAE), and United Kingdom.

The multilateral nonproliferation regime, which, among other purposes, attempts to counter nuclear networks, consists of the Non-Proliferation Treaty (NPT), International Atomic Energy Agency (IAEA) inspection regime, United Nations (UN) Security Council Resolution 1540, Nuclear Suppliers Group (NSG), and the Proliferation Security Initiative (PSI). The regime also includes multilateral and national assistance programs and national export controls and laws.

Entered into force on March 5, 1970, NPT obligates nuclear weapon states not to transfer nuclear weapons or other nuclear explosive devices to any recipient, and not to assist, encourage, or induce any nonnuclear weapon state to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices. Under the treaty, each nonnuclear weapon state pledges not to receive, manufacture, or otherwise acquire nuclear weapons or other nuclear explosive devices, and not to seek or receive

assistance in their manufacture. NPT also obliges each nonnuclear weapon state to accept comprehensive international safeguards, including inspection, through agreements negotiated with IAEA. The intent of these safeguards is to deter and detect the diversion of nuclear material for nuclear explosive purposes.

Relevant U.S. assistance programs on export and border controls include EXBS and INECP. State's EXBS program assists foreign governments in strengthening their export controls by improving their legal and regulatory frameworks, licensing processes, border control and other enforcement capabilities, outreach to industry, and interagency coordination. The mission of Energy's INECP is to prevent the proliferation of WMD and WMD-related material, equipment, and technology by helping other countries develop effective national export control systems. Total EXBS funding for fiscal years 2003 through 2006 was about \$175 million and for INECP was about \$30 million.

Since the terrorist attacks of September 11, 2001, and the exposure of the A.Q. Khan nuclear proliferation network, the President and U.S. government agencies involved in national enforcement activities have emphasized the importance of preventing WMD proliferation, including nuclear proliferation. On a national level, the United States endeavors to counter nuclear proliferation by enforcing laws that control the export of materials—including dual-use items—that could be used to make a nuclear weapon and by applying criminal or administrative penalties to proliferators. The Departments of Commerce, Homeland Security, Justice, State, and Treasury have responsibilities for enforcing various laws that relate to nuclear proliferation. The U.S. government's control over the export of defense nuclear and dual-use items is primarily divided between two departments—State and Commerce, respectively. Support for enforcement activities comes primarily from Commerce, through its Bureau of Industry and Security's Office of Export Enforcement; DHS, through its Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE); and Justice, through the Federal Bureau of Investigation (FBI) and the United States Attorneys Office. Export enforcement involves inspecting items to be shipped, investigating potential violations of export control laws, and punishing export control violators.

United States Supported Several Multilateral Efforts to Address Nuclear Networks, but Some Proposals Have Not Been Adopted

The United States has initiated a range of multilateral efforts and proposals to counter nuclear proliferation networks. Although multilateral organizations have adopted some U.S. proposals that would help address illicit nuclear proliferation networks, they have not adopted others. First, the United States negotiated the passage of UN Security Council Resolution 1540 that obligated all member states to adopt laws and regulations prohibiting the proliferation of WMD. Second, the U.S. government led NSG to conduct several activities aimed at combating proliferation networks, including development of watch lists; however, two U.S. proposals to NSG have not been adopted. Third, with U.S. support, IAEA has taken several actions to address proliferation networks, such as establishing a unit intended to analyze covert nuclear trade activities. However, IAEA has not yet adopted a recommendation drafted in June 2005 that calls on member states to provide IAEA with information on their exports to improve the agency's ability to detect possible clandestine nuclear activities. Finally, the U.S. government has led efforts to establish the Proliferation Security Initiative (PSI).

The United States Negotiated Passage of UN Resolution 1540 to Combat WMD Proliferation

The United States negotiated the passage of a UN Security Council resolution that obligated all member states to adopt laws and regulations prohibiting the proliferation of WMD. The UN Security Council adopted Resolution 1540 in April 2004, obligating all member states to adopt laws prohibiting proliferation of WMD as well as to maintain and enforce adequate export controls. Under UN Security Council Resolution 1540, all states have three primary obligations relating to nuclear, chemical, and biological weapons, and their delivery systems. They are to (1) refrain from providing support to nonstate actors seeking such items; (2) prohibit nonstate actors from acquiring, using, and attempting to acquire and use such items; and prohibiting nonstate actors from participating in, assisting, or financing such activities; and (3) put in place and enforce effective measures to control these items and related material to prevent their proliferation. Member states have begun implementing its provisions by submitting required reports on their export control laws to a committee designated the 1540 committee.⁹ The committee also has been tasked with

⁹Resolution 1673, adopted on April 27, 2006, renewed the 1540 committee for 2 years, and re-emphasized the steps each state must take to implement its 1540 obligations. The Security Council requested states to report to the 1540 committee on steps they have taken or intend to take to implement resolution 1540. Resolution 1673 calls upon states that have not yet presented a report to the committee to do so without delay and encourages all states that have submitted such reports to provide, at any time or upon the committee's request, additional information on their implementation of resolution 1540.

identifying the assistance needs of countries and coordinating their requests for assistance with offers from other countries.

The United States Led NSG to Carry Out Several Activities to Help Combat Proliferation Networks, but Two U.S. Proposals Are Not Yet Adopted

The U.S. government led NSG in several activities to combat proliferation networks, including the development of watch lists. However, NSG has not adopted two U.S. proposals that would commit members to refrain from exporting certain technologies to states that do not already have the capability to use them and to countries that have not agreed to allow IAEA additional rights to inspect any facilities suspected of covert nuclear activities.

NSG, established in 1975, is a multilateral export control regime with 45 participating governments.¹⁰ The purpose of NSG is to prevent the proliferation of nuclear weapons through export controls of nuclear and nuclear-related material, equipment, and technology, without hindering international cooperation on peaceful uses of nuclear energy. NSG periodically updates and strengthens its guidelines on how member states should control and license sensitive technologies and maintain lists of the technologies to be controlled. However, NSG, like other multilateral export control regimes, is a consensus-based organization and depends on the like-mindedness or cohesion of its members to be effective.

NSG has undertaken several activities to help shut down proliferation networks. For example, in May 2004, NSG noted its concern over the discovery of a covert international proliferation trafficking network, through which sensitive nuclear-related equipment had found its way to Libya. To address this concern, the United States developed national procurement watch lists for all supplier states as a means to help block further procurement of nuclear-relevant items that are not formally controlled by placement on export control lists. To slow down North Korea's and Iran's work on their nuclear programs, the watch lists focus on items of interest to those countries, according to Energy. The lists include items that could be used to enrich uranium, reprocess spent

¹⁰Current NSG members are Argentina, Australia, Austria, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Kazakhstan, Republic of Korea, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom, and United States.

nuclear reactor fuel, and fabricate fuel for nuclear reactors. Both NSG members and nonmembers use the lists.

Through U.S. leadership, NSG also has conducted outreach to non-NSG members, creating awareness of issues related to the supply of sensitive technology, and pressing for adherence to NSG guidelines. For example, NSG worked with existing international organizations, such as IAEA and the UN Security Council Resolution 1540 committee, and with nonmembers to help close gaps in the nonproliferation regime that proliferation networks seek to exploit.

NSG has not adopted two U.S. proposals announced by the President in 2004.¹¹ The first proposal would commit members to not export certain nuclear technology to states that do not have the capability to develop material for nuclear fuel or nuclear weapons. Also, NSG has not adopted a second proposal under which NSG members would refrain from providing nuclear-related technologies to countries that have not agreed to allow IAEA additional rights to inspect any facilities suspected of covert nuclear activities. The President announced that NSG members should refuse to sell enrichment and reprocessing equipment and technologies to any state that does not already possess full-scale, functioning enrichment and reprocessing plants. This step, according to the President, would prevent new states from developing the means to produce fissile material for nuclear bombs.

State and Energy officials stated that the first proposal has not yet been adopted within NSG because it favors states that already have enrichment and reprocessing capability¹² over those that do not. According to State officials, states in the European Union (EU) are opposed to this proposal because it violates EU internal free trade policies. However, we could not independently determine why NSG has not adopted these proposals because State did not facilitate our travel to meet with representatives of NSG members in Vienna, Austria.

¹¹Office of the President, "President Announces New Measures to Counter the Threat of WMD," Remarks by the President on Weapons of Mass Destruction Proliferation (Washington, D.C.: Feb. 11, 2004).

¹²Enrichment is the process of increasing the amount of uranium usable in a nuclear reactor or nuclear weapon. Reprocessing is the chemical process of removing impurities from plutonium, the byproduct of burning uranium in a nuclear reactor, so that it can be reused in a nuclear reactor or nuclear weapon.

NSG also has not yet adopted the second U.S. proposal announced in 2004 to restrict exports of nuclear-related technology to countries that have not adopted IAEA's more stringent safeguards inspection agreements. In 2004, the President proposed that by the next year, only states that have signed the Additional Protocol would be allowed to import equipment for their civilian nuclear programs. However, other countries have been hesitant to implement the Additional Protocol for various reasons, including an unwillingness to submit to intrusive inspections.

The U.S. Government Supported IAEA Actions Against Proliferation Networks, but IAEA Has Not Yet Adopted a Recommendation to Better Detect Covert Nuclear Activities

The U.S. government supported IAEA's establishment of several activities over the past several years to help combat nuclear proliferation trafficking and network activities. However, IAEA has not yet adopted a recommendation that calls for member states to provide it with export data that would allow the agency to better detect covert nuclear activities.

IAEA is responsible for inspecting civilian nuclear facilities worldwide to ensure they are used exclusively for peaceful purposes. In 1997, IAEA adopted a new arrangement, called the Additional Protocol, for existing safeguards agreements under NPT that is designed to give IAEA a stronger role and more effective tools for conducting worldwide inspections.

IAEA established several activities supported by the United States to help combat nuclear proliferation trafficking and network activities. These included the following:

- *Nuclear Trade and Technology Analysis Unit.* Following the revelations about extensive covert networks procuring and supplying sensitive nuclear technology, IAEA established a new unit in November 2004. It was intended to help analyze patterns and trends in nuclear trade to identify covert nuclear trade activities.¹³
- *Illicit Trafficking Database.* IAEA established IAEA Illicit Trafficking Database in 1995 to facilitate exchange of authoritative information on incidents of illicit trafficking and other related unauthorized activities involving nuclear and other radioactive materials among states. It contains information, which has been confirmed by the states involved, about incidents of illicit trafficking and related unauthorized activities involving nuclear and other radioactive materials.

¹³The unit was formerly named the Nuclear Trade Analysis Unit .

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- *Nuclear Security Fund.* IAEA established a fund in March 2002 to support its expanded nuclear security program, including developing international standards and providing training and assistance to combat nuclear smuggling. Through 2006, pledges from IAEA members totaled nearly \$74 million, with about \$34 million from the United States.

IAEA has not yet implemented a draft recommendation¹⁴ that member states provide it with relevant information on their exports so IAEA can improve its ability to detect possible undeclared nuclear activities. Under this recommendation, members would provide information on their exports of specified equipment and nonnuclear material, procurement enquiries, export denials, and relevant information from commercial suppliers, according to State officials. However, there is no current mandate to do this, according to State officials.

U.S. Government Led Efforts to Establish and Gain Support for PSI

The United States established and gained support for PSI, a U.S.-led effort to work with other countries to interrupt the transfers of sensitive items to proliferators.¹⁵

PSI is a global effort to stop trafficking of WMD, their delivery systems, and related materials to and from states and nonstate actors of proliferation concern worldwide. Launched by the President on May 31, 2003, PSI is a set of voluntary activities, not a formal treaty-based organization, to stop proliferation-related shipments of WMD technologies. PSI interdiction training exercises and other operational efforts are intended to help participating states work together in a coordinated and effective manner to stop, search, and seize shipments. In September 2003, the countries participating in PSI at that time agreed to its statement of interdiction principles. The statement identifies specific steps participants can take to effectively interdict WMD-related trafficking and prevent proliferation. As of July 2007, PSI participants conducted 28 exercises (maritime, air, land, or combined) to practice interdictions, held 15

¹⁴Recommendations to be Considered by the Advisory Committee on Safeguards and Verification within the Framework of the IAEA Statute to Further Improve the Effectiveness and Efficiency of the Safeguards System.

¹⁵The United States also established and gained support for the Group of Eight (G8) global partnership against proliferation, which pledges funds to train and equip countries to deter the spread of WMD. However, limited G8 assistance was pledged for export and border controls and none of the G8 assistance was pledged to the countries in the scope of our review.

operational experts group meetings to discuss proliferation concerns and plan future exercises, and hosted 4 workshops to acquaint industries with PSI goals and principles.

State lists several countries as PSI participants that open-source reporting also names as locations of nuclear proliferation network activity. Listed PSI participants are Germany, Japan, Singapore, Turkey, UAE, and United Kingdom. PSI nonparticipants are Malaysia, Pakistan, Republic of Korea, and South Africa. (See our September 2006 classified report on PSI.¹⁶)

Impact of U.S. Export Control Assistance Is Uncertain Because Agencies Do Not Consistently Assess Programs

The U.S. government has focused on bilateral export control assistance to foreign countries to combat the sale of illicit nuclear-related technology through proliferation networks. Three programs, operated by State, Energy, and Defense provide this assistance. However, the impact of this assistance is difficult to determine because State did not evaluate either the proliferation risk for all of the countries in which network activities are alleged to have occurred or the results of its assistance efforts. In contrast, Energy performed risk analyses and program assessments for all of its 45 participating countries. Although there were limitations in the assessments of the programs, officials from Energy and State said that some positive changes occurred as a result of U.S. export and border control assistance.

United States Provided Export Control Assistance to Address Nuclear Networks

To combat nuclear networks, State officials said they focused on addressing export control problems in other countries. State's EXBS assists foreign governments in strengthening their export controls by improving their legal and regulatory frameworks, licensing processes, border control and other enforcement capabilities, outreach to industry, and interagency coordination. EXBS partners with a number of U.S. agencies and the private sector to provide capacity-building training, technical exchanges and workshops, regional conferences and seminars, and inspection and interdiction equipment. For example, EXBS completed an advanced workshop on regulations in July 2006 with Pakistani officials and sponsored a forum on technical aspects of regulations in September 2006 through a private contractor. In Malaysia, EXBS sponsored a workshop on legal aspects of regulations in August 2005 and another

¹⁶GAO, *Nonproliferation: Better Controls Needed to Plan and Manage Proliferation Security Initiative Activities*, [GAO-06-937C](#) (Washington, D.C.: Sept. 28, 2006).

workshop with Malaysian officials in Washington, D.C., on export licensing in February 2007. Commerce conducted these workshops. In addition, DHS stated that ICE is the primary law enforcement partner to EXBS for training its counterpart agencies to investigate, conduct surveillance and undercover operations, detect, and interdict unauthorized transfers of WMD-related items. During 2007 and 2008, according to DHS, ICE conducted or planned to conduct training in several countries where A.Q. Khan network activities reportedly occurred, including Malaysia, Pakistan, Singapore, Republic of Korea, Turkey, and UAE.

Energy's INECP provides bilateral assistance to governments to prevent the proliferation of WMD and WMD-related material, equipment, and technology by working with governments worldwide to develop effective national export control systems. INECP receives funding from and collaborates with the EXBS and Homeland Security's CBP and also works with other agencies such as the Coast Guard. For example, in Turkey, INECP conducted training to help customs inspectors identify nuclear-related commodities¹⁷ in March 2004 and September 2005. INECP has conducted similar training in Pakistan, Singapore, and Republic of Korea.

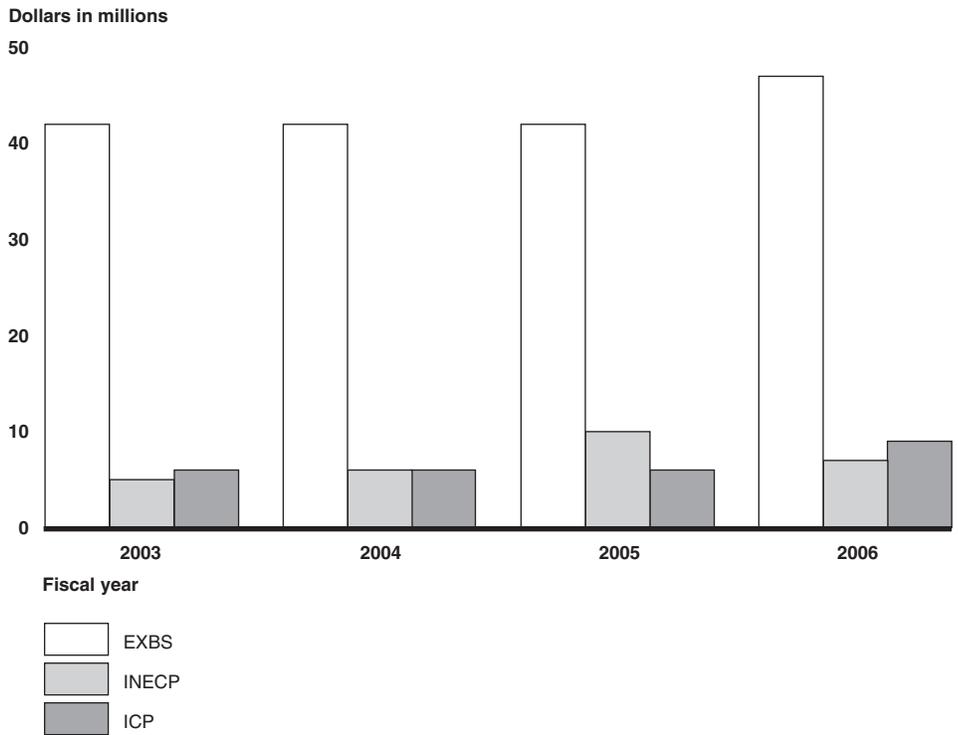
In addition, DOD's International Counterproliferation Program (ICP) offers equipment, training, and advice to help countries prevent and counter WMD proliferation, including border control assistance. The majority of ICP's programs have been in countries in the former Soviet Union, the Balkans, and the Baltics, with total funding of about \$29 million for fiscal years 2003 through 2006. ICP provided about \$86,000 for training in Singapore in fiscal year 2006.¹⁸

Overall, the U.S. provided about \$234 million dollars in export control assistance to 66 countries between fiscal years 2003 and 2006 through these three programs, with EXBS as the largest contributor to U.S. export control assistance (see fig. 1).

¹⁷INECP's Commodity Identification Training familiarizes customs inspectors with the materials, components, and equipment sought by WMD procurement programs. It simplifies export control lists by grouping items into categories and aids recognition through a focus on physical appearance using pictures and demonstration kits.

¹⁸We did not include DOD's ICP in our evaluation of program assessments or comment on the results of its assistance efforts because only one ICP country, Singapore, is in the scope of our review. Also, ICP is currently under reorganization and performs no program assessments and produces no annual report.

Figure 1: U.S. Export Control Assistance (All Countries), Fiscal Years 2003 to 2006

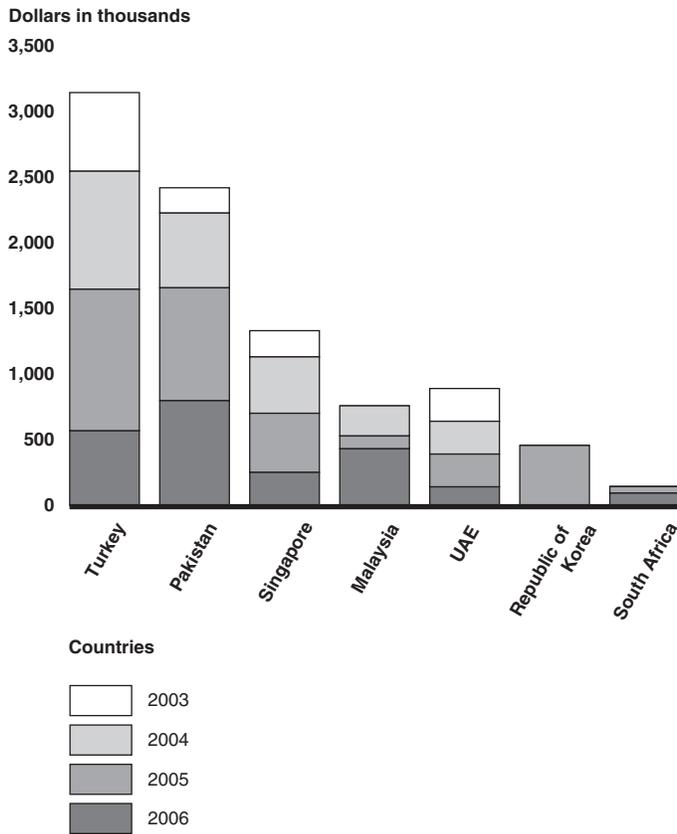


Source: GAO analysis of State, Energy, and DOD data.

From fiscal years 2003 through 2006, the U.S. government provided about \$9 million, or 4 percent of the overall total, to seven countries in which A.Q. Khan network activities reportedly occurred: Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and the UAE. From fiscal years 2003 to 2006, EXBS provided about \$7 million to six of these countries,¹⁹ while INECP provided nearly \$2 million to the seven countries in our study. Turkey was the largest recipient of assistance among the countries in our study, and Pakistan was the second largest (see fig. 2).

¹⁹One country accepted the U.S. offer of export control assistance on condition that all U.S. government agencies refrain from publicly mentioning its participation in any EXBS-funded activity, according to State.

Figure 2: U.S. Export Control Assistance to Selected Countries, Fiscal Years 2003 to 2006



Source: GAO analysis of State, Energy, and DOD data.

Impact of U.S. Assistance Is Difficult to Determine Because U.S. Agencies Do Not Consistently Assess Their Programs

Despite U.S. government efforts to provide bilateral assistance to countries to help them improve their export control systems, it is difficult to determine the impact of these programs because State did not consistently conduct or document risk analyses as a basis for countries to receive assistance and has not assessed the program performance. Although Energy and State officials said they are unable to systematically establish that their assistance has effected positive change in countries that received U.S. assistance, they said some positive change occurred during the period in which assistance was provided.

State's Risk Analyses Are Undocumented and Incomplete

While both State's and Energy's assistance programs conduct risk analyses on a country-by-country basis to prioritize assistance efforts, State did not conduct one such analysis for each country in its program and did not document the ones it conducted. The EXBS strategic plan indicates EXBS

prioritizes assistance in accordance with five proliferation threat categories for which most, but not all, EXBS countries are assessed (see table 1).

Table 1: EXBS Risk Analysis Categories

Category 1	Countries that are a potential WMD source (which would include countries that have a production capability and those that are believed to have stocks).
Category 2	Countries that produce WMD-related dual-use items (countries with industries that can be expected to be seeking licenses for transfer and where there is an ongoing risk of unauthorized transfer from outgoing production, and risk of contributing to WMD programs).
Category 3	Countries that are significant transit or transshipment routes for WMD and related items.
Category 4	Countries that are producers of advanced conventional weapons/man-portable air-defense systems and related dual-use items.
Category 5	Countries that represent less significant threats for transit/transshipment and threats for retransfer of munitions stocks.

Source: State.

The EXBS strategic plan, which provides guidance for EXBS, provided a risk analysis summary for five of the six countries in our study to which it provided assistance, but did not provide a risk assessment for one country. The strategic plan indicated that two of the countries in our study are at risk in all five categories, and a third country is at risk in all but category 1. A fourth country is at risk in categories 2, 4, and 5, and a fifth country is at risk in categories 3 and 5. State did not respond to our request for a risk assessment for the sixth country. Overall, the EXBS strategic plan did not provide a risk analysis for 11 of the 56 countries to which it provided assistance between fiscal years 2003 and 2006. Furthermore, EXBS officials could not provide us with documentation showing the basis for which they determined the risk categories for the countries that appear in the strategic report and said the risk analyses are not updated annually.

INECP assesses country risk by measuring proliferation threat based on the capacity of the recipient country to supply or be a conduit for WMD-related goods. The assessment also takes into consideration the vulnerability of the recipient country's export control system to illicit procurement. INECP places the countries receiving assistance into one of four categories based on that countries' production capacity and export control system (see table 2).

Table 2: INECP Risk Analysis Categories

Category 1:	Low-commodity production capacity, no export control system
Category 2:	High-commodity production base, no export control system
Category 3:	Low-commodity production capacity, perfect export control system
Category 4:	High-commodity production base, perfect export control system

Source: Energy.

All of the countries in our study to which INECP provided assistance fell into category 2: having potentially weak export control systems and high commodity production capacity. While we did not evaluate the methodology that EXBS and INECP use to perform risk assessments or prioritize their assistance, we observed that each INECP risk analysis we reviewed was more thoroughly documented than the EXBS risk analyses. For example, INECP provided us with country plans for each of the countries in our scope, which document and identify the sources of information used to determine the status of the country's export control system and its potential to supply or be a conduit for nuclear-related materials. In addition, an INECP official noted that one of the purposes of the country plans is to document the data that inform their risk analyses.

State Did Not Perform Many of Its Program Assessments

Despite U.S. government efforts to provide bilateral assistance to countries to help them improve their export control systems, it is difficult to determine the impact of these programs because State has not assessed their performance. Specifically, State's EXBS has not performed annual program assessments for all countries receiving EXBS assistance, as required by program guidance, and has not received required data for some assessments that were conducted. INECP also requires annual program assessments, which it conducted for all of its 45 assistance recipients for fiscal years 2003 through 2006.

EXBS program assessments characterize features of a country's export control system but do not evaluate the impact of U.S. training on the country. EXBS guidance specifies that recipient countries should be assessed using a revised assessment tool, which contains questions intended to determine whether the country is committed to developing an effective export control system and identify the weaknesses in the

country's current system.²⁰ Categories in the EXBS assessment tool, which was implemented by contractors, include an examination of various aspects of the recipient country's dual-use and munitions licensing, the country's ability to enforce its regulations, and a review of industry-government relations. In contrast, federal guidance for evaluating human capital training calls for assessing the extent to which training and development efforts contribute to improved performance and results.²¹

State contractors performed assessments in 2004 for only two of the six countries in the scope of our review that received EXBS funding, Turkey and UAE. According to a State official, these assessments were not useful for State's purposes because the contractor provided the results of the evaluations but not the data that EXBS officials said would be necessary to measure the progress of these countries in improving their export control systems. The official said the data were omitted because State did not require them in the contract. Therefore, EXBS did not receive the information it needed to construct a baseline against which to evaluate the progress of these countries. State has contracted for future assessments to be used as a baseline for determining countries' future progress. Overall, State received assessments for 34 countries—about 60 percent of the countries that received EXBS funding between 2003 and 2006—though none of these contained baseline data, according to State officials. In commenting on a draft of this report, State said that EXBS program planning takes into account other information, including open source information, diplomatic reporting from posts, intelligence community products, and assessments and information from other U.S. government agencies. As State commented, however, these and other information sources are intended to substitute for the assessment tool only when State determines it is infeasible or impractical to use it.

²⁰The EXBS strategic plan states that the program continuously reevaluates the effectiveness of recipient countries' strategic trade controls, remaining deficiencies, and the contributions made by EXBS.

²¹GAO, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004).

INECP also produces country plans that serve as program assessments for all of the 47 countries to which it provided assistance in this period.²² An INECP official said that the country plans are updated on an annual basis in order to track the history of assistance with each partner country and to enforce a standard process for tracking and reviewing the combined results of assistance efforts and of countries' independent efforts to implement system reforms. INECP officials provided us with updated annual assessments for all seven countries, which contain an analysis of each country's export control system, and proposals for future assistance. While we did not evaluate the quality of Energy's assessments, INECP has updated assessments for all of its program participants, and the assessments contain the baseline data necessary for measuring future progress and are updated on an annual basis. In addition, we noted that the INECP country plans we reviewed assess the country's progress in improving its export control systems and contain recommendations for future activities.

Energy and State officials said they are unable to systematically establish that their assistance has effected positive change in countries to which they provided assistance, because actions such as changing laws and implementing new regulations are undertaken by sovereign governments and are not always directly attributable to assistance efforts. However, officials from both programs said some positive change occurred during this period. For example, officials from both EXBS and INECP cited some improvements in assistance recipients' export controls that occurred after training or other types of assistance were provided. In 2006, after exchanges and consultations regarding licensing and regulations with EXBS program officers, Pakistan strengthened its export controls by further expanding its control lists, according to State officials. In addition, officials reported that Malaysia, UAE, and Pakistan drafted export control legislation during the period of EXBS engagement in each of these countries. Pakistan passed its export control law in 2004.

Furthermore, INECP officials reported that their engagement with Singapore has led its government to amend its control list to adhere to all the multilateral control lists, and INECP also helped Pakistan complete

²²Energy developed 34 country plans for its 47 INECP assistance recipients, according to Energy officials. One plan covers 15 European Union countries and one plan—for Uzbekistan—has not been updated because, according to the officials, Energy has been unable to work with Uzbekistan since that government stopped cooperating with the United States.

adoption of the European Union control list. In addition, they said that the Republic of Korea has reported that INECP training led to several high-level investigations of illegal transfers and greater industry awareness of dual-use items.

Agencies Cannot Identify Information to Assess Whether Their Ability to Combat Nuclear Proliferation Networks Has Improved

U.S. agencies engaged in export control enforcement activities are impaired from judging their progress in preventing nuclear proliferation networks because they cannot readily identify basic information on the number, nature, or details of all their enforcement activities involving nuclear proliferation. While facing this limitation, the U.S. government since 2003 has made several changes to its policies and procedures related to national enforcement activities that may strengthen its ability to prevent nuclear proliferation networks.

Agencies' Ability to Judge Progress Against Nuclear Proliferation Is Impaired by Constraints on Information

U.S. agencies engaged in export control enforcement activities are impaired from judging their progress in preventing nuclear proliferation networks because they cannot readily identify basic information on the number, nature, or details of all their enforcement activities involving nuclear proliferation. Most of these agencies do not collect or store their data in a manner that would allow them to reliably identify which of their enforcement actions involved nuclear proliferation. This makes it difficult for agencies to determine the level of resources expended in countering nuclear proliferation networks, as well as the results obtained from these efforts. Since 2005, Commerce and ICE have taken steps to facilitate more reliable identification of their enforcement activities involving nuclear proliferation.

Most of the agencies engaged in export control enforcement activities—DHS, Justice, and Treasury—could not readily produce reliable data representing their respective agency's enforcement actions related to nuclear proliferation. Enforcement data, such as data collected on inspections, seizures, investigations, arrests, indictments, and penalties applied, were often stored according to the law that had been violated or by a category or code describing the item corresponding to the enforcement action, such as the type of good seized. Consequently, agencies compiling enforcement data related to nuclear proliferation often depended on conducting searches of agency databases using key words

(e.g., “nuclear”) or key codes (e.g., the ICE code for dual-use items is “06”). An accurate compilation of such data depends on several factors, including (1) selecting appropriate key words or key codes for searching the database, (2) use of appropriate words or codes to describe the nature of the enforcement action when agency officials record it in the database, and (3) mandatory completion of the data fields that would identify the enforcement action as being related to nuclear proliferation. For example, we asked agencies engaged in export control enforcement activities for data on their activities related to nuclear proliferation, with the following results:

- CBP compiled data on enforcement activities (seizures) related to nuclear proliferation by engaging in keyword searches of its database. However, a CBP official noted there is not a specific category for dual-use seizures, so these seizures would not be included in the statistics. Moreover, the official stated that one would need to look beyond seizures, for example to inspections, to get a complete picture of CBP activities conducted to combat nuclear proliferation. However, CBP does not have data on inspections conducted for nuclear or WMD proliferation purposes unless the inspection led to a seizure of goods or involved nuclear material, according to DHS officials.
- ICE performed a key-code search of its database to produce statistics on closed investigations involving nuclear proliferation. An ICE official said the statistics that ICE compiled likely undercounted the number of investigations involving nuclear proliferation because there is not one single code agents can use to represent nuclear proliferation cases. Rather, there are multiple codes that represent nuclear proliferation, but agents are not required to enter all of them. The ICE official concluded that it would be difficult to correctly identify all nuclear proliferation-related ICE investigations.
- In response to our request for enforcement statistics, FBI produced two conflicting sets of statistics on open investigations related to nuclear proliferation. One Bureau official noted that identifying enforcement actions related to nuclear proliferation is not straightforward; rather, it requires Bureau analysts to interpret information about the enforcement action to judge whether it involves nuclear proliferation. In technical comments on a draft of this report, Justice stated that FBI has a classification which defines proliferation investigative activities. This classification can be used to search the FBI’s automated case system to determine the exact number of investigative activities and obtain a report on the nature and details of these activities, according to Justice. However, two FBI officials told us that it is not possible to search the database to

identify all cases related to nuclear proliferation. Compiling data such as the number of cases involving nuclear proliferation and deciding whether cases are related to WMD or nuclear proliferation requires an interpretation of the data.

- Finally, Justice (Executive Office for United States Attorneys) stated its case management database could not sort cases according to nuclear proliferation networks, nuclear proliferation, or WMD proliferation, due to the way the data are stored, but can sort export enforcement data.

Furthermore, some agencies that maintain lists of individuals and companies that have violated export control laws or engaged in WMD proliferation could not identify which parties were placed on the lists for nuclear proliferation reasons. For example, Treasury, which maintains a specially designated nationals list containing the individuals and entities that have been designated under its Office of Foreign Assets Control's (OFAC) various sanctions programs,²³ reported it cannot identify all entities that have been placed on the list for nuclear proliferation reasons. Treasury officials said that they maintain records on the rationale for placing an entity on the list, but do not necessarily denote the type of WMD proliferation entities are engaged in or support. In addition, Treasury confirmed that none of the entities publicly identified in relation to the A.Q. Khan nuclear proliferation network appears on the specially designated nationals list or in the Annex to Executive Order 13382. Commerce stated that it does not maintain readily available information that would allow it to identify individuals or entities placed on its denied persons list for nuclear proliferation reasons. This list includes individuals and entities that have been denied export privileges. In contrast, State reported periodically to Congress that, between 2003 and 2006, it had

²³Treasury's OFAC administers two distinct sanctions programs designed to combat WMD proliferation in addition to the program under Executive Order 13382. According to Treasury, these are (1) an import ban that provides for State to name certain foreign persons from whom U.S. persons cannot import goods, services, or technology; and (2) a highly enriched uranium blocking program intended to protect highly enriched uranium from attachment by third parties.

sanctioned foreign persons for engaging in nuclear proliferation activities with Iran or Syria.²⁴

Several agencies stated they use their enforcement data to make resource allocation decisions. However, without enforcement data that accurately reflect actions taken to prevent nuclear proliferation, agencies would not be able to make informed resource decisions. Without the ability to reliably identify their enforcement activities involving nuclear proliferation, it is difficult for agencies to accurately track the amount of time and resources expended in countering nuclear proliferation networks, as well as the results obtained from these efforts. Most of these agencies lack performance metrics for assessing the results obtained from their efforts to prevent nuclear proliferation.²⁵ In contrast, federal standards for internal control state that management should have procedures in place to create performance indicators, monitor results, track achievements in relation to agency plans, and ensure adequate communications with external stakeholders that may significantly impact achieving the agency's goals.²⁶

Since 2005, two agencies have taken steps to facilitate more reliable identification of their enforcement activities involving nuclear proliferation. In fiscal year 2005, Commerce began classifying enforcement

²⁴State imposed sanctions under the Iran Nonproliferation Act (as amended, the Iran and Syria Nonproliferation Act) from 2003 through 2006 for the transfer to, or acquisition from, Iran or Syria of goods, services, and technology controlled under multilateral export control lists or otherwise having the potential to make a material contribution to the development of WMD or cruise or ballistic missile systems. Entities involved in conventional arms transfers were the most widely sanctioned, followed by the chemical-biological, missile, and nuclear areas..

²⁵ICE stated that many of the components which may be sought by procurement networks for a developing nuclear program are categorized as dual-use technologies, having both nuclear and nonnuclear, commercial and military applications. Unless the true ultimate application of the dual-use components is known, according to ICE, it is difficult to accurately apply metrics to assess export enforcement activities involving nuclear proliferation.

²⁶GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). Federal standards for internal control state that management should (1) have effective procedures to monitor results; (2) track major agency achievement in relation to its plans; (3) establish and monitor performance measures and indicators; (4) have documentation, whether in paper or electronic form, useful to managers in controlling their operations and to auditors and others involved in analyzing operations; and (5) ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.

data to identify enforcement actions involving nuclear proliferation. In June 2007, an ICE official proposed modifying ICE's case data collection process to more precisely identify investigations involving nuclear proliferation. Thus, the official stated, if implemented, this proposal would allow ICE to better track its performance in combating nuclear proliferation, as well as respond to congressional inquiries for information.

Changes to Policies and Procedures May Strengthen U.S. Agencies' Ability to Combat Nuclear Proliferation Networks

Since 2003, the U.S. government has made several changes to the policies and procedures governing national enforcement activities that may strengthen agencies' ability to combat nuclear proliferation networks. On a national level, the United States endeavors to counter nuclear proliferation by enforcing laws that control the export of materials that could be used to make a nuclear weapon, including dual-use items, and applying criminal or administrative penalties to proliferators. Commerce, DHS, Justice, State, and Treasury carry out these enforcement activities, often in collaboration.

Executive Order, New Law, and Proposed Legislation Create New Penalties and Enhance Existing Penalties

Two changes to policies and procedures governing national enforcement activities created new penalties and increased existing penalties for export control violations. In addition, draft legislation developed by the executive branch is intended to further increase penalties and provide some new authorities for one enforcement organization.

First, Executive Order 13382, announced in 2005, created an additional nonproliferation sanction program that allows Treasury and State to target the assets of proliferators and those who assist them.²⁷ Under the executive order, Treasury and State designate individuals or entities that are WMD proliferators, deny them access to the U.S. financial system, and have all their property or interests in property blocked. Initially, the sanction program applied to eight organizations in Iran, North Korea, and Syria. As additional WMD proliferators are designated, they are added to Treasury's specially designated nationals list, which contains the names of individuals and entities that have been sanctioned under OFAC's various sanctions programs. U.S. persons and entities are prohibited from providing support to these proliferators and can be punished with criminal or civil penalties if they are found to be in violation of this prohibition. The executive order is designed to cut off support to proliferators from front

²⁷Executive Order 13382, "Blocking Property of WMD Proliferators and Their Supporters," July 1, 2005.

companies, financiers, logistical supporters, and suppliers. As of June 15, 2007, 43 persons or entities were on Treasury's specially designated nationals list pursuant to the executive order.

Second, the USA Patriot Improvement and Reauthorization Act of 2005²⁸ increased the maximum penalties that can be imposed on certain export control violations from \$10,000 to \$50,000 per violation. Maximum prison sentences increased from 10 years to 20 years. However, according to Commerce statements, these increased penalties are not high enough to deter violators or to provide incentives for violators to cooperate with law enforcement. The Assistant Secretary of Commerce for Export Enforcement recently noted that significantly increased penalty provisions are needed.

Third, the congress enacted a law that that increased penalties and the executive branch drafted a legislative proposal intended to further increase penalties and provide some new authorities for one enforcement organization. The International Emergency Economic Powers Enhancement Act was enacted into law on October 16, 2007, and increased the civil and criminal penalties applicable to the violation of OFAC sanctions.²⁹ In addition, the executive branch drafted a legislative proposal, the Export Enforcement Act of 2007, to revise and enhance the Export Administration Act (EAA)³⁰ and be in effect for 5 years after the date of its enactment. The legislative proposal would increase penalties for export control violations while enhancing Commerce's law enforcement authorities to combat illicit exports of dual-use items. For example, criminal penalty amounts in the proposal would be increased to \$1,000,000 per violation or a fine and imprisonment for not more than 10 years, for each violation by an individual, and \$5,000,000 or up to 10 times the value of the exports involved, whichever is greater, per violation by a person other than an individual. The civil penalty amounts would be increased to \$500,000 for each violation of EAA or any regulation, license, or order

²⁸Public Law 109-177, March 9, 2006.

²⁹Public Law 110-96, the International Emergency Economic Powers Enhancement Act, October 16, 2007.

³⁰50 U.S.C. App. § 2401 et seq. Authority granted under the act lapsed in August 2001. However, Executive Order 13222, Continuation of Export Control Regulations, which was issued in August 2001 under the authority provided by the International Emergency Economic Powers Act (50 U.S.C. §§1701 et seq.), continues the controls established under the act, and the implementing Export Administration Regulations.

issued under that act. According to Commerce, the increased penalty amounts would provide an enhanced deterrent effect. The proposal also would provide Commerce's special agents with statutory overseas investigative authority and expanded undercover authorities and expand the list of criminal violations upon which a denial of export privileges may be based.

FBI Created a WMD Directorate and WMD-Related Initiatives but Provided No Information on Impact of These Changes

In 2006, the FBI created a WMD directorate to support and consolidate FBI's WMD components. The directorate was designed to prevent and disrupt foreign nations or individuals from obtaining WMD capabilities and technologies and using them against the United States, according to FBI documents. In addition, FBI officials reported the initiation of several initiatives designed to prevent WMD proliferation. These initiatives include a program focused on dual-use nuclear technology, as well as country-specific WMD counterproliferation efforts in national labs and other U.S. entities. However, FBI did not provide information on the impact of these activities on FBI's ability to counter WMD and nuclear proliferation.

In technical comments on a draft of this report, Justice stated that FBI has information to provide but was not given the opportunity to do so. FBI's WMD Directorate can provide information on this impact by providing limited information on accomplishments and statistics on a number of proliferation investigations and operations, according to Justice. However, on June 15, 2007, we asked FBI officials about the impact of either the establishment of the WMD directorate or the WMD initiatives on FBI's ability to counter WMD and nuclear proliferation, but they provided no answer nor would they meet with us to discuss related issues. In late June, FBI provided us with a written response that included no specific information that answered our request.

Department of Justice Has Made Initial Plans for Improving Prosecution of Export Control Violations

To respond to the threat of nuclear proliferation, Justice is preparing a national export enforcement initiative that department officials stated is intended to improve the investigation and prosecution of persons and corporations violating U.S. export control laws. The initiative follows the 2006 creation of the National Security Division within Justice to strengthen the effectiveness of its national security efforts and, according to a Justice official, to respond to the threat of WMD proliferation.

As we have previously reported, U.S. Attorneys Offices have many competing priorities, including prosecuting cases involving terrorism,

counterterrorism, and government contractor fraud, and the level of interest and knowledge of export control laws varies among assistant U.S. Attorneys.³¹ According to the U.S. Attorney General, one of the key elements of the initiative will be to provide federal prosecutors with the assistance, training, and expertise they need to undertake export control prosecutions.³² For example, Justice held a national export control conference in May 2007. The following month, Justice appointed its first National Export Control Coordinator, who will be responsible for coordinating with other U.S. agencies the enforcement of export controls and development of training materials for prosecutors in an effort to enhance their capacity and expertise. The impact of the export enforcement initiative on Justice's ability to prosecute export control cases is yet to be demonstrated as the initiative has just begun.

Conclusion

Although the U.S. government has announced that countering nuclear proliferation and nuclear networks is a high priority, it lacks the necessary information to assess the impact of its multiple efforts to do so. While U.S. assistance to foreign governments to help them strengthen their laws and regulations against nuclear proliferation networks has the potential for positive impact, U.S. agencies are not sufficiently monitoring aid recipients' actions to assess what U.S. assistance is accomplishing. State's assistance program is not completing and documenting risk analyses or program assessments, as required by program guidance. In addition, U.S. government agencies that engage in enforcement activities to counter nuclear proliferation networks are impaired from judging their progress in this effort because they cannot readily identify basic information on the number, nature, or details of their enforcement activities involving nuclear proliferation. Without such information, agencies cannot identify what their efforts are, assess how their efforts are working, or determine what resources are necessary to improve their effectiveness. Developing such information would be a necessary first step for U.S. agencies in beginning to assess how well their efforts to combat nuclear proliferation networks are working. As of October 2007, these agencies may not know whether their capabilities for addressing the problem of nuclear proliferation networks have improved.

³¹GAO, *Export Controls: Challenges Exist in Enforcement of an Inherently Complex System*, GAO-07-265 (Washington, D.C.: Dec. 20, 2006).

³²Prepared Remarks of Attorney General Alberto R. Gonzales at the Global Initiative to Combat Nuclear Terrorism Law Enforcement Summit; Miami, Florida; June 11, 2007.

Recommendations for Executive Action

To help assess the impact of the U.S. response to the threat of nuclear proliferation networks, we recommend that the Secretary of State take the following two actions: (1) comply with its guidance to conduct periodic assessments of proliferation risk and the export control system for each country receiving EXBS funding and (2) document each risk analysis conducted to evaluate the progress made in alleviating those risks.

To help assess how U.S. government agencies that engage in export control enforcement activities are accomplishing their stated goal of combating nuclear proliferation, we recommend that the Secretaries of Commerce, Homeland Security, and Treasury, and the U.S. Attorney General individually direct that their respective agency's data collection processes be modified to support the collection and analysis of data that clearly identify when enforcement activities involve nuclear proliferation. For example, each agency could consider

- designating appropriate categories or codes for nuclear proliferation for staff to use when recording information in the databases and
- mandating completion of relevant data fields that would identify an enforcement action as related to nuclear proliferation.

Agency Comments and Our Evaluation

We provided copies of this report to Commerce, Defense, DHS, Energy, Justice, State, and Treasury. Commerce, DHS, State, and Treasury provided written comments. Justice provided us with technical comments that we incorporated in the report, as appropriate. Defense and Energy did not comment on the draft.

In its comments on a draft of this report, Commerce stated, first, that the report did not identify what it means by enforcement activities involving nuclear proliferation. Second, Commerce stated that the report should present the President's 2004 nonproliferation proposals to NSG exactly as stated. Finally, Commerce stated that the recommendation to modify relevant databases to support the collection and analysis of data that clearly identify when enforcement activities involve nuclear proliferation should not be directed to it because the report recognizes that it already has this capability. Moreover, it said that Commerce officials could take names from its denied persons list, which does not indicate the reason for listing the name, and query the relevant database to identify whether the name was listed for nuclear proliferation reasons. First, we did identify what is meant by enforcement activities on page 8 of this report to include inspecting items to be shipped, investigating potential violations of export

control laws, and punishing export control violators. We asked Commerce officials to identify when such activities involved nuclear proliferation but they indicated certain actions for which they could not. Second, we shortened the description of the President's 2004 proposals for brevity and clarity. Moreover, Commerce's description of the proposals does not match the text of the proposals as originally presented in the President's speech. Finally, while our report recognized that Commerce had developed the capability that we recommend for its database, we included Commerce in the recommendation because its various lists, such as the denied persons list, cannot identify names included for nuclear proliferation reasons. Commerce indicated to us that because the database and denied persons list were not linked, providing such information would have been difficult and require a case-by-case analysis. As a result, Commerce did not provide us with this requested data.

In its comments, DHS agreed with the substance of the report and concurred with the overall recommendations. DHS described specific actions that it took in September 2007 to identify seizures in the relevant database that involve nuclear proliferation. It also described modifications that it intends to make by the end of 2007 to identify examinations of cargo involving nuclear proliferation issues.

In commenting on a draft of this report, State partially concurred with our recommendation that it should (1) comply with its guidance to conduct periodic assessments of proliferation risk and the export control system for each country receiving EXBS funding and (2) document each risk analysis conducted to evaluate the progress made in alleviating those risks. State commented that it recognizes the value of taking a more standardized approach to assessing program countries on a regular basis as a means of refining assistance efforts and evaluating progress. Therefore, State said that it will set clear guidelines for when assessments and reassessments should occur. State also said that it recognizes the value in documenting in one place all risk analyses and the process by which they are reached and will do so in a revised publication of its EXBS program strategic plan.

State disagreed with our finding that it did not conduct program assessments for about 60 percent of its participating countries, asserting that it conducted program assessments for all six of the countries in the scope of our review that received EXBS funding. State said that it used various means to assess its program other than its revised assessment tool designed for this purpose. We reiterate our finding that State did not conduct program assessments using its designated tool for two of the six

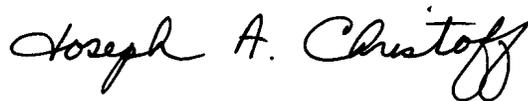
countries in our study that received EXBS assistance. More importantly, these assessments do not evaluate the impact of U.S. training on the country, as recommended by federal guidance for evaluating human capital training. This guidance calls for assessing the extent to which training and development efforts contribute to improved performance and results. State also disagreed with our finding that it did not perform risk analyses for 11 of the 56 countries in its program for fiscal years 2003 through 2006. It stated that the country risk assessment summary in its program strategic plan included only those countries for which funds were requested at the time the plan was prepared and the summary was never intended as a comprehensive source of all risk analyses. However, the State official responsible for EXBS did not provide this explanation and said the risk summary does not change unless there is new information. Furthermore, we found that this explanation of the risk assessment summary is not consistent. At least one country was included in the summary even though it received no EXBS funding throughout this period and at least four other countries were not listed although they did receive EXBS funding.

Treasury did not comment on our recommendations. However, Treasury stated that it can and does identify which entities have been designated for nuclear proliferation reasons at the time of designation. However, this statement misses our point. As our report stated, U.S. government agencies that engage in enforcement activities to counter nuclear proliferation networks are impaired from judging their progress in this effort because they cannot readily identify basic information on the number, nature, or details of their enforcement activities involving nuclear proliferation. If Treasury cannot readily retrieve this information, then the information is not useful for assessing the impact of its sanctions specifically on nuclear proliferators. Despite its assertion, Treasury did not provide us with a list of all listed entities designated for nuclear proliferation reasons, as we had requested. In commenting on our finding that Treasury did not designate any entities publicly identified with the A.Q. Khan network, Treasury stated that its designation decisions involve an interagency process that identifies, assesses, and prioritizes targets. Therefore, it appears that Treasury did not designate any A.Q. Khan network entities because an interagency process did not identify and assess them as priority targets.

We are sending copies of this report to interested congressional committees and the Secretaries of Commerce, Defense, Energy, Homeland Security, Justice, State, and Treasury. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-8979 or at christoffj@gao.gov. Staff acknowledgments are listed in appendix VI.

Sincerely yours,

A handwritten signature in black ink that reads "Joseph A. Christoff". The signature is written in a cursive style with a large, stylized "C" at the end.

Joseph A. Christoff
Director, International Affairs and Trade

Appendix I: Scope and Methodology

To meet our objectives, we reviewed program documentation and interviewed knowledgeable officials from key U.S. agencies: the Departments of Commerce, Defense (DOD), Energy, Homeland Security (DHS), Justice, State, and Treasury.

To identify the status of U.S. efforts to strengthen multilateral controls to counter nuclear proliferation networks, we reviewed program documentation and interviewed knowledgeable officials from key U.S. agencies: DOD, Energy, and State. We also met with acknowledged nonproliferation experts to discuss U.S. proposals announced in 2004 and their applicability to addressing nuclear proliferation networks. The experts included two former Assistant Secretaries of State for Nonproliferation and experts from the following institutions: Center for Contemporary Conflict, National Security Affairs Department, Naval Postgraduate School in Monterey, California; Center for International Trade and Security at the University of Georgia, Athens, Georgia; Center for Nonproliferation Studies at The Monterey Institute of International Studies, Washington, D.C.; Center for Strategic and International Studies, Washington, D.C.; Georgetown University, Edmund A. Walsh School of Foreign Service, Washington, D.C.; Heritage Foundation, Washington, D.C.; Nuclear Threat Initiative, Washington, D.C.; and Wisconsin Project on Nuclear Arms Control, Washington, D.C.

We tried to visit the U.S. Mission to the International Atomic Energy Agency, officials of the International Atomic Energy Agency, and foreign government representatives to the Nuclear Suppliers Group, all in Vienna, Austria, to discuss various U.S. proposals and other efforts to strengthen activities to combat nuclear proliferation networks. While State agreed after months of negotiation to facilitate our proposed travel to Vienna, it did not do so within any acceptable time frames. Furthermore, citing diplomatic sensitivities, State proposed restrictions on which U.S. and foreign officials we could meet and on what subjects we could discuss, thus causing considerable delays in completing our work.

To assess the impact of U.S. bilateral assistance to help other countries improve their legal and regulatory controls against nuclear proliferation networks, we reviewed program documentation and interviewed knowledgeable officials from key U.S. agencies: DOD, Energy, and State. To evaluate the amount of assistance provided overall and to the seven countries associated with nuclear networks in our study (Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and United Arab Emirates), we obtained and reviewed financial data from DOD, Energy, and State, and interviewed agency officials about these data. We

determined that these data were sufficiently reliable for the purposes of this report. Therefore, we reviewed program assessment documentation to the extent that it was available in Washington, D.C. We interviewed knowledgeable DOD, Energy, and State officials about the impact and outcomes of these programs. We also contacted the embassies in Washington, D.C., of the governments of Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and United Arab Emirates to obtain their perspectives on U.S. assistance. However, only the government of Singapore responded to our request for information.

To assess the impact of U.S. efforts to strengthen its national enforcement activities to combat nuclear proliferation networks, we reviewed documentation and met with officials of the Departments of Commerce, DHS, Justice, State, and Treasury in Washington, D.C. We also spoke by phone with DHS/Immigration and Customs Enforcement attaches stationed in Bern, Switzerland, and Vienna, Austria, regarding their roles in enforcing U.S. export control laws for cases related to nuclear proliferation. Also, we reviewed statistical data and descriptions of enforcement cases from Commerce, DHS, and Justice, when available, to try to determine how many cases involved nuclear proliferation and how such information was used to assess agencies' activities. We also reviewed data on Commerce, State, and Treasury sanctions against identified WMD proliferators. The information on foreign law in this report does not reflect our independent legal analysis, but is based on interviews and secondary sources.

We focused our review on countries that, according to open-source reporting, are involved in the A.Q. Khan network. These include Malaysia, Pakistan, Republic of Korea, Singapore, South Africa, Turkey, and Dubai in UAE. We did not travel to these countries because State cited foreign policy sensitivities of ongoing diplomatic discussions in these countries. It is important to note that the level of cooperation State provided on this review was erratic and resulted in a delay of several months in completing our work. Nonetheless, with information available from other sources, we were able to address the review's objectives.. For the purposes of this report, we reviewed U.S. programs and activities that involved export controls and their enforcement, as nuclear networks typically engage in acts that violate or circumvent national and international export controls.

We conducted our review from September 2006 through August 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the Department of Commerce

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



UNITED STATES DEPARTMENT OF COMMERCE
Under Secretary for Industry and Security
Washington, D.C. 20230

October 15, 2007

Mr. Joseph Christoff
Director, International Affairs and Trade
International Affairs and Trade Division
Government Accountability Office
441 G Street, NW, 4T55
Washington, DC 20548

Dear Mr. Christoff:

Enclosed are comments from the Department of Commerce's Bureau of Industry on the Government Accountability Office's Draft Report entitled *Nonproliferation: U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results, GAO-08-21*.

If you have any questions regarding our submission, you may contact Julissa Hurtado at 202-482-8093.

Sincerely,

A handwritten signature in black ink, appearing to read "Mancuso", with a long horizontal line extending to the right.

Mario Mancuso

Enclosure



Department of Commerce, Bureau of Industry and Security
Comments on Draft GAO Report
*Nonproliferation: U.S. Efforts to Combat Nuclear Networks Need Better Data on
Proliferation Risks and Program Results, GAO-08-21*

General Comments:

See comment 1.

The report does not identify what it means by “enforcement activities involving nuclear proliferation.” This shortcoming is important when referring to record keeping. For example, if records show two illegal exports of aluminum bar controlled under ECCN 1C202 for nuclear proliferation, and if in one case the material was illegally exported to produce fighter aircraft parts, and in the other instance it was illegally exported to produce gas centrifuge rotors, how should these cases be recorded? Should both or only the case with the centrifuge end use be counted as an enforcement activity involving nuclear proliferation? NPTC notes that the vast majority of exports either legal or illegal of items controlled for nuclear proliferation reasons are destined for non-nuclear end uses.

See comment 2.

With respect to the President’s Nuclear Non Proliferation Initiatives of 2004 that were introduced to the Nuclear Suppliers Group (NSG), the report should simply list the proposal in the way it was presented to the NSG. The President proposed:

(1) that nuclear suppliers only transfer Trigger List items to a non-nuclear weapons state when the receiving state has signed an Additional Protocol Agreement and is pursuing it in good faith with the International Atomic Energy Agency (IAEA);

(2) that nuclear suppliers consider when transferring a dual-use item whether a state has implemented a binding IAEA Full-Scope Safeguards Agreement and an Additional Protocol Agreement;

(3) that nuclear suppliers can transfer enrichment or processing facilities, equipment, or technology to a non-nuclear weapons state only if, as of December 31, 2003, it was a Nuclear Non-Proliferation Treaty (NPT) Party and had an enrichment or reprocessing plant being safeguarded by the IAEA;

(4) that nuclear fuel exporters should consider ways to ensure that such states have reliable access to fuel at reasonable cost for their civilian reactors; and

(5) that nuclear suppliers suspend nuclear cooperation with states under investigation by the IAEA for non-compliance with their safeguards obligations, until such time as the IAEA determines that the state is back in full compliance with its Safeguards Agreement.

See comment 3.

The GAO report’s description is not clear as to what the President actually proposed. On Page 24, the statement, “Commerce stated that it does not maintain readily available information that would allow it to identify individuals or entities placed on its Denied Persons List for nuclear proliferation reasons.” By way of clarification, as stated this sentence may be

See comment 4.

true, but is misleading. The purpose of the Denied Person List is to readily identify denied persons or entities with respect to export privileges – not to delineate those factors responsible for their inclusion on the list. BIS Office of Export Enforcement (OEE) Special Agents can select a name from the Denied Persons List, query it in the Investigative Management System (IMS) database, and determine whether or not the individual or entity was denied export privileges for reasons relating to nuclear proliferation.

On page 30, GAO makes two recommendations to the Secretaries of Commerce, Homeland Security, and Treasury, “To help assess how U.S. government agencies that engage in export control enforcement activities are accomplishing their stated goal of combating nuclear proliferation, we recommend that the Secretaries of Commerce, Homeland Security, and Treasury, and the U.S. Attorney General individually direct that each agency’s data collection processes be modified to support the collection and analysis of data that clearly identify when enforcement activities involve nuclear proliferation. For example, each agency could consider..”

Recommendation 1: Designating appropriate categories or codes for nuclear proliferation for staff to use when recording information in the databases.

BIS Response: The Investigative Management System (IMS) database of the Department of Commerce’s Office of Export Enforcement provides a field entitled “primary case focus.” BIS Agents can identify nuclear proliferation cases in the IMS by selection “WMD-Nuclear” as the primary case focus. Making the appropriate entry in this field for each investigation is mandatory for all BIS special agents..

Recommendation 2: Mandating completion of relevant data fields that would identify an enforcement action as related to nuclear proliferation.

BIS Response: As stated above, the BIS IMS database provides a field for “primary case focus” which must be completed when a case is entered in the IMS database. Choices for this field include “WMD-Nuclear” to indicate a nuclear proliferation case. A query of the IMS database for all cases with a WMD-Nuclear focus will identify all investigations and associated enforcement actions related to nuclear proliferation.

With respect to these two recommendations, BIS capability to associate investigations and enforcement activity within its IMS database with a particular focus such as nuclear proliferation is reflected on page 22 of the draft report where it states “Since 2005, Commerce and ICE have taken steps to facilitate more reliable identification of their enforcement activities involving nuclear proliferation. Most of the agencies engaged in export control enforcement activities – DHS, Justice, and Treasury – could not readily produce reliable data representing the agency’s enforcement actions related to nuclear proliferation.”

Furthermore, on pages 25-26 of the draft report it states, “Since 2005, two agencies have taken steps to facilitate more reliable identification of their enforcement activities involving nuclear proliferation. In fiscal year 2005, Commerce began classifying enforcement data to identify enforcement actions involving nuclear proliferation.”

**Appendix II: Comments from the Department
of Commerce**

In summary, the recommendations to the Commerce Department in the draft report have already been enacted prior to commencement of the study. Furthermore, these measures have been referenced in various portions of the draft report cited above. As such, it is requested that the Department of Commerce be removed from the recommendations portion of the final report.

The following are GAO's comments on the Department of Commerce's letter dated October 15, 2007.

GAO Comments

1. We agree with Commerce's statement that the draft report did not identify what it means by "enforcement activities involving nuclear proliferation." First, we did identify what is meant by enforcement activities on page 8 of this report to include inspecting items to be shipped, investigating potential violations of export control laws, and punishing export control violators. We asked Commerce officials to identify when such activities involved nuclear proliferation but they indicated certain actions for which they could not.
2. We disagree with Commerce's comment that our description of the President's proposal to the NSG was not clear. We had simplified and shortened the proposals to make them clear and free from jargon.
3. We disagree with Commerce's comment that our draft is true but misleading in stating that Commerce does not maintain readily available information that would allow it to identify individuals or entities placed on its denied parties list for nuclear proliferation reasons. Commerce said the purpose of this list is to readily identify persons who are denied export privileges and it further explained that its agents can query names from the list to determine the reason individuals were denied export privileges. However, when we requested that Commerce provide such a list, Commerce indicated that it had not previously conducted such a review, did not maintain readily available information, and it could not readily create a list of individuals who have been denied export privileges for nuclear proliferation reasons.
4. In comments on a draft of this report, Commerce stated that the recommendation to modify its data collection processes to clearly identify when enforcement activities involve nuclear proliferation should not be directed to it. Commerce stated that the report recognized that it already has appropriate categories or codes for nuclear proliferation staff to use when recording information in the databases and already mandates completion of relevant data fields that would identify an enforcement action as related to nuclear proliferation. However, we directed the recommendation to Commerce because its various lists, including the denied persons list, cannot identify when names are listed for nuclear proliferation purposes. Commerce acknowledged this deficiency when it was unable to provide this type of information when we requested it.

Appendix III: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

October 17, 2007

Mr. Joseph A. Christoff
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Christoff:

RE: Draft Report GAO-08-21, Nonproliferation: U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results (GAO Job Code 320443)

The Department of Homeland Security (DHS) appreciates the opportunity to review and comment on the draft report referenced above. The U.S. Government Accountability Office (GAO) concludes that although the U.S. government has announced that countering nuclear proliferation and nuclear networks is a high priority, it lacks the necessary information to assess the impact of its multiple efforts to do so. While United States assistance to foreign governments to help them strengthen their laws and regulations against nuclear proliferation networks has the potential for positive impact, GAO found that U.S. agencies are not sufficiently monitoring aid recipients' actions to assess what the assistance is accomplishing. U.S. Customs and Border Protection (CBP) officials agree with the substance of the report.

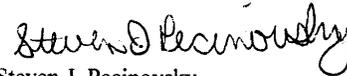
GAO recommends in part that several agencies, including DHS, modify data collection processes to support the collection and analysis of data that clearly identify when enforcement activities involve nuclear proliferation. GAO further recommends that DHS consider designating appropriate categories or codes for nuclear proliferation for staff to use when recording information in the databases and mandating completion of relevant data fields that would identify an enforcement action as related to nuclear proliferation.

CBP officials concur with the overall recommendation. CBP added a new "special operation" code for nuclear proliferation to its Seized Asset and Case Tracking System incident module on September 26, 2007. This new code will enable CBP officers who are initiating seizure records to identify any seizure known to involve nuclear proliferation by the new special operation code. In addition, CBP personnel intend to add a new inspection finding code to the examination findings module in the Automated Commercial System and Cargo Enforcement Tracking System to denote examinations that are determined to involve nuclear proliferation issues by the end of 2007. CBP

officials will issue instructions to field officers to direct them to begin using the new codes once the new codes are available.

DHS believes that the U.S. Immigration and Customs Enforcement's (ICE's) involvement with the Department of State's Export Controls and Border Security Program is not sufficiently discussed in the draft report. We are separately providing technical comments reflecting ICE's work that we trust will be considered for inclusion in the final report.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

Appendix IV: Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

*Assistant Secretary for Resource Management
and Chief Financial Officer*

Washington, D.C. 20520

OCT 17 2007

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "NONPROLIFERATION: U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results," GAO Job Code 320443.

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 Chris Herrington, Foreign Affairs Officer, Bureau of International Security and Nonproliferation at (202) 647-5035.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – Jeffrey Phillips
ISN – Donald Mahley
State/OIG – Mark Duda

U.S. Department of State Comments on GAO Draft Report

NONPROLIFERATION: U.S. Efforts to Combat Nuclear Networks Need Better
Data on Proliferation Risks and Program Results
(GAO-08-21, GAO Code 320443)

The Department of State appreciates the opportunity to review and comment on the Government Accountability Office draft report entitled, "*U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results*." The Department believes it is already fulfilling, for the most part, the two relevant recommendations, but acknowledges room for improvement.

Department Response to Draft Report Recommendations

To help assess the impact of the U.S. response to the threat of nuclear proliferation networks, GAO recommends that the Secretary of State take the following two actions:

Recommendation 1: Comply with its guidance to conduct periodic assessments of proliferation risk and the export control systems for each country receiving EXBS funding.

State Response: Partially concur. Program assessments were conducted for all six of the countries in the GAO's study that received Export Controls and Border Security Program (EXBS) assistance. One of the seven countries has never been a participant in, or recipient of assistance under, the EXBS program. While modest funding was indeed requested for this country during the timeframe covered by this study, engagement has been generally limited to diplomatic activity and assistance funds were reprogrammed for other countries.

We do not concur with the draft statement's assertion that, "State did not conduct program assessments for about 60 percent of its participating countries" Initially, the Department assessed program countries using the "Export Control System Standards" questionnaire, for which we requested input from in-country EXBS advisors, embassies, and interagency partners. In 2004, the Department awarded a contract to one of the companies participating in its Integrated Support Services Contract to perform assessments for the majority of the countries receiving EXBS program assistance at the time, and these assessments were conducted by one of that company's sub-contractors. Given funding constraints

See comment 1.

and the differing stages of engagement with various countries, priority was given to those countries with which the EXBS program had been involved for longer periods of time. This approach was aimed at helping to assess whether any countries were ready to “graduate,” and the degree of progress that had been made since engagement began with given countries. It was not considered a good use of resources to conduct expensive outside assessments of countries with which engagement was either nascent or merely anticipated. Nor was it deemed prudent to request what might be considered intrusive assessments by contractors in countries with which we were hoping to establish cooperative engagement under EXBS.

See comment 2.

The absence of an in-country EXBS-funded assessment by the sub-contractor does not indicate that no assessment has been made and that there is no basis for planning assistance or assessing progress. General practice has been to conduct an interagency assessment of a country at the very early stages of engagement, both to help nurture government-to-government cooperation in improving strategic trade and border controls, and to develop plans for targeting assistance. In some instances in which it is not considered appropriate or when resources are not available for comprehensive outside assessments, the office of Export Controls and Cooperation (ECC) has funded “table-top” assessments, which are conducted using available open source information and do not involve in-country interviews.

See comment 3.

In addition to the previously-described questionnaires and table-top assessments, EXBS program planning takes into account other information, which can include open source information, diplomatic reporting from posts, intelligence community products, assessments and information from other USG agencies, interagency visits, research studies by other non-governmental organizations, and the results of and discussions at EXBS program activities involving individual countries. When comprehensive outside assessments are infeasible or impractical (*e.g.*, because of political or security situations), these additional sources of information continue to provide a good basis for the interagency determination on how to prioritize EXBS bilateral assistance and assess progress.

See comment 4.

It should be emphasized that the International Security and Nonproliferation Bureau (ISN), as the manager of the interagency EXBS program, has access to and factors into its planning process assessments conducted by other agencies, particularly those that receive EXBS program funding. The draft report comments favorably on the assessments prepared by the Department of Energy’s International Nonproliferation Export Control Program (DOE/INECP), but does not

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acknowledge that these assessments are routinely shared with the Department and factored into the EXBS program planning process.

That said, the Department recognizes the value of taking a more standardized approach to assessing program countries on a regular basis as a means of refining assistance efforts and evaluating progress, and will set clear guidelines for when assessments and reassessments should occur.

Recommendation 2: Document each risk analysis conducted to evaluate the progress made in alleviating those risks.

See comment 5.

State Response: Partially concur. Risk analyses have indeed been conducted and documented for each country that has received or is receiving assistance under the EXBS program. It is our impression that the drafters of the GAO report may have based their conclusions solely on the the “EXBS Country Risk Assessment Summary” within the *Export Control and Related Border Security Program Strategic Plan* dated September 1, 2006, which included only those countries for which funds were being requested at the time the document was prepared. This Risk Assessment Summary was never intended as a comprehensive source of all risk analyses. In addition, the Department’s view is that the *Export Control and Related Border Security Program Strategic Plan*, as an interagency-cleared document, does provide a form of documentation for the basis for each country’s proliferation threat level by assigning each to a descriptive category. For example, if a country is a known producer of controlled, dual-use items that could be used for Weapons of Mass Destruction (WMD), the country is included in Category 2. Nevertheless, the Department recognizes the value in documenting in one place all risk analyses and the process by which they were reached, and will do so in a revised publication of the *Export Control and Related Border Security Program Strategic Plan*.

Additional Comments

Scope of the GAO Report: The draft report states that “GAO focused on seven countries where network activities reportedly occurred.”

See comment 6.

State Response: The Department finds the report to be inconsistent in its treatment of the subject under review. Despite the stated focus, the draft report includes comments and statistics based on a program-wide review of State Department activity involving 56 countries, including many for which State Department cooperation is in very early stages and for which there has been no

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reported involvement in nuclear proliferation activity. However, the report does not take the same approach in addressing performances by all relevant agencies and programs. For example, one program is not included in the draft report because it provided funding for only one of the seven countries covered by the scope of the report and does not conduct any program assessments, as explained by a footnote on page 15. This omission is perplexing given that one of the two recommendations for the State Department is to conduct regular program assessments.

Risk Analyses: The draft report states that “State did not evaluate ...the proliferation risk for all the countries in which network activities are alleged to have occurred...” It also states that, “[b]etween 2003 and 2006 ... State did not perform risk analyses for 11 of the 56 countries in its program for those years. . . .”

See comment 7.

State Response: Both statements are clearly based on information in the “EXBS Country Risk Assessment Summary” within the *Export Control and Related Border Security Program Strategic Plan* dated September 1, 2006. Regarding the first statement, it would be more accurate to state: “The EXBS Country Risk Assessment Summary within the *Export Control and Related Border Security Program Strategic Plan* dated September 1, 2006, does not include two of the countries in which network activities are alleged to have occurred.” The Department provided clarifying information in response to the Statement of Facts for this draft report noting that one country was not included because the Department never provided assistance to it under the EXBS program and the other country was not included, even though a risk analysis was conducted, because the Department did not seek EXBS funding for it at the time the EXBS Program Strategic Plan was being published.

See comment 8.

Regarding the second statement, in addition to going beyond the stated focus (“on seven countries where network activities reportedly occurred”), the eleven countries are almost certainly those for which no new EXBS program funds were being requested, and were, therefore, not included in the table. As noted in response to the Statement of Facts for this draft report, this list includes nine countries that had “graduated” from the program, one for which funds had previously been allocated, but subsequently reprogrammed for other countries given a lack of engagement, and one for which new funds were not being sought pending an indication of the political will to adopt and enforce meaningful controls. The absence of a country from the table does not mean a risk analysis was not done. Rather, the EXBS program assesses and categorizes the risk posed

by countries for which it seeks funding and routinely refers to such assessments in justifying its budget requests and in notifications to Congress.

Assessments not Useful: On page 20, the draft report attributes to a State official comments that program assessments conducted by a contractor, “were not useful for their purposes because the contractor provided the results of the evaluations but not the data that EXBS officials said would be necessary to measure the progress of these countries in improving their export control systems.”

See comment 9.

State Response: This statement is not entirely accurate. While it is true that the contractor did not initially provide the supporting data with the assessment results, the Department subsequently requested the data and received it in December 2006.

Program Assessments Do Not Assess Training Efforts: The draft report states that EXBS program assessments characterize features of a country’s export control system but do not evaluate the impact of U.S. training on the country.

See comment 10.

State Response: In general, program assessments do highlight the relationship between assistance efforts and progress in specific countries. However, formal reassessments of countries are needed to more accurately and regularly measure progress. Funding has been a factor, but the Department plans to implement a less expensive process for reassessing countries should funding for outside assessments continue to be an issue.

State’s Level of Cooperation: The draft report states that, “the level of cooperation State provided on this review was erratic and resulted in a delay of several months in completing our work.”

See comment 11.

State Response: State made a sincere and good faith effort to cooperate with GAO’s investigation of nuclear proliferation networks by meeting with GAO, providing it information and facilitating its travel requests; however, some of GAO’s requests touched upon sensitive issues associated with the A.Q. Khan network. With regard to travel, State proposed several dates for GAO to travel to Vienna, Austria; however, the GAO found these dates to be unacceptable. In addition, State helped facilitate GAO contact with embassy officials in Washington, D.C. and would have provided similar assistance to the GAO with regard to NSG States had the GAO requested this assistance.

U.S. Agencies are Impaired from Judging Progress: The draft report states that, “Relevant U.S. agencies are impaired from judging their progress in preventing

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nuclear proliferation networks because they cannot readily identify basic information on the number, nature, or details of all their enforcement activities involving nuclear proliferation...[and that] most of these agencies cannot readily identify which enforcement activities involve nuclear proliferation as they cannot ensure that searching their case file databases for words, such as nuclear, would reveal all relevant cases”.

See comment 12.

State Response: As explained to GAO, relevant U.S. agencies working on nuclear-related issues have access to classified information that indicates which cases are related to nuclear-related transfers. Given the classified nature of this information it often cannot be disclosed, or is shared on a restricted need-to-know basis only. In other cases, such distinctions can be misleading since items often have more than one use, *e.g.*, they can be used in both nuclear and missile programs.

Pakistan’s Export Control Efforts: The draft report states that Pakistan had strengthened its export control laws by expanding the list of items for which it requires exporters to obtain licenses.

See comment 13.

State Response: GAO should note that Pakistan passed its export control law in 2004.

GAO’s Reference to the PSI as a "multilateral body:"

See comment 14.

State Response: This ascribes a formality to the PSI that does not exist and that the U.S. has never sought to create. The description of the PSI on page 13 is more accurate: it is a "global effort," and "is a set of voluntary activities, not a formal treaty-based organization."

GAO’s Assertion that PSI participant countries are also associated with proliferation network activity:

See comment 15.

State Response: These states or their governments were not involved in proliferation network activities; only private entities in these countries were reported to have been allegedly involved in proliferation network activities in open sources. Part of our diplomatic effort in addressing these networks has been to seek greater cooperation from states that have been abused by such proliferation networks, in order to build successful partnerships to prevent and impede proliferation activities.

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GAO's statement that State lists about 80 countries as PSI participants:

State Response: More than 80 countries are PSI participants.

See comment 16.

The following are GAO's comments on the Department of State's letter dated October 17, 2007.

GAO Comments

1. We disagree with State's comment explaining why it did not conduct program assessments for about 60 percent of its participating countries. State said that it also relies on an interagency assessment of a country at the early stages of engagement with the program and on a variety of open source information, studies by nongovernmental research organizations, and information from other U.S. agencies. State did not indicate in its comments what percentage of contractor program assessments have been completed and produced no documentation of these other assessments. Moreover, in earlier documents State explicitly informed us that the contractor assessment tool is the current survey tool EXBS uses to provide a formal and full assessment.
2. We disagree with State's comments that it assesses program progress despite the absence of a contractor assessment. State's EXBS strategic plan, written responses to our questions, and discussions with the key EXBS official who State designated to meet with us emphasized the contractor program assessments as the tool to be used for a full assessment of a country's progress, as well as for planning purposes and establishing a baseline of a country's capabilities and needs. The strategic plan describes the contractor's assessment tool as compiling data and analysis from all sources to assist State to measure performance broadly by evaluating progress made between assessments. State's written response to us stated that EXBS tracks the performance of the foreign government in its development of strategic trade controls using the assessment tool.
3. We agree with State's comment that its program planning takes into account other information, including open source information, diplomatic reporting from posts, intelligence community products, and assessments and information from other U.S. government agencies. We have added language to the report to reflect this.
4. State commented that EXBS officials have access to and factor into their planning process assessments by other U.S. agencies, such as Energy's INECP which receives some EXBS funding. While we commend such interagency collaboration, we note that any Energy program assessments are relevant only to its training and courses provided in support of EXBS, not to the EXBS program as a whole. Furthermore, the evidence that State provided in its meetings with us,

its written response to our questions, and its EXBS strategic plan discusses interagency coordination in planning, but not in assessing the contributions made by the EXBS program to particular countries.

5. We disagree with State's comment that risk analyses have been conducted and documented for each country that received or is receiving assistance under EXBS and that we based our findings solely on the EXBS strategic plan. In addition to the strategic plan, we relied on State's written response to questions we posed on the subject and meetings with State EXBS officials. As we stated in our report, the EXBS strategic plan did not identify a risk level for 11 of the 56 countries to which it provided assistance between fiscal years 2003 and 2006.
6. We disagree with State's comment that our report was inconsistent because it included information on EXBS assistance to six of the seven countries where A.Q. Khan network activity was reported to have occurred as well as other countries receiving EXBS assistance. We included statistical information on the total number of EXBS program assessments to place the data on the seven countries into an overall perspective.
7. We partially agree with State's comment that it would be more clear to say that the EXBS country risk assessment summary did not include two of the countries in which network activities are alleged to have occurred. We cannot confirm State's assertion that a risk analysis was done for one of these countries. State provided no documentation to support this point.
8. We disagree with State's comment that the absence of a country from the risk summary table in the EXBS strategic plan does not mean a risk analysis was not done. State provided no evidence that it had conducted a risk analysis for this country, and the State official designated to speak for the program said there was no documentation for the analyses.
9. We disagree with State's comment that State subsequently requested and received missing program assessment data in December 2006 that the contractor had not initially provided to support assessment results. State provided no evidence to support this comment and it directly contradicts information provided to us by the cognizant State official.
10. We disagree with State's comment that its EXBS program assessments generally highlight the relationship between assistance efforts and progress in specific countries. In a written response to our questions in

February 2007, State highlighted the difficulties in doing so. Also, during the course of our review, State said that EXBS does not systematically track information on changes to a country's laws for the purpose of showing the effectiveness of the EXBS program because it is difficult analytically to create a good design for doing so. Nonetheless, State said in its comments on a draft of this report that formal reassessments of countries are needed to more accurately and regularly measure progress.

11. We disagree that State made a sincere and good faith effort to cooperate with our review of nuclear proliferation networks. The level of cooperation State provided on this review was erratic and resulted in a delay of several months in completing our work. While State agreed after months of negotiation to facilitate our proposed travel to Vienna, it did not do so within any acceptable time frames and delayed providing some requested documents for several months. Nonetheless, with information available from other sources, we were able to address the review's objectives.
12. These findings were not directed to State. The agencies to which they were directed did not raise a concern about access to classified information and none of these agencies disagreed with our recommendation.
13. State commented that our draft should note that Pakistan passed its export control law in 2004. We have added this language to the report.
14. We disagree with State's comment that referring to PSI as a multilateral body ascribes a formality to the PSI that does not exist and that the U.S. has never sought to create. Given our previous classified report on PSI, we would not ascribe any more formality to PSI than appropriate. We recognized that this lack of formality contributed to management deficiencies in U.S. PSI activities, and congress legislated in Public Law 110-53 that corrective action be taken.
15. We agree with State's statement that certain states or their governments were not involved in proliferation network activities; only private entities in these countries were reported to have been allegedly involved in proliferation network activities in open sources. We included clarifying language, accordingly.
16. We disagree with State's comment that we should report that more than 80 countries are PSI participants. As we reported in an unclassified section of our report on PSI, State did not provide us with

documentation to demonstrate any precise number of countries that expressed support for PSI.

Appendix V: Comments from the Department of Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

October 24, 2007

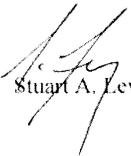
Mr. Joseph Christoff
Director, International Affairs and Trade
Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Mr. Christoff:

Thank you for the opportunity to review the draft Government Accountability Office (GAO) report entitled, *Nonproliferation – U.S. Efforts to Combat Nuclear Networks Need Better Data on Proliferation Risks and Program Results* (GAO-08-21). Please find attached our comments as well as some recommended clarifications.

Thank you for your efforts and should you have any additional questions please do not hesitate to contact me or my staff.

Sincerely,



Stuart A. Levey

Attachment
Comments Matrix

**Appendix V: Comments from the Department
of Treasury**

**GAO Draft Report
Nonproliferation - U.S. Efforts to Combat Nuclear Networks Need Better Data on
Proliferation Risks and Program Results
GAO-08-21**

Department of the Treasury Comments

	Page/ Paragraph	Recommended Change or Comment
See comment 1.	1 2/3	To be fair to all organizations covered in the study, the scope of the study covered only countries where A. Q. Khan operated, which likely skewed the results. The countries listed represent only a small subset of areas where nuclear-related proliferation activities occur.
See comment 2.	2 4/2, 5/2, 22-23, 30/3	Treasury Department actions involve the designation of proliferators and their supporters, and subsequent "enforcement" actions that impose civil penalties for violation of OFAC sanctions. Treasury is able to identify which of its designations are related to nuclear proliferation, and could similarly identify any civil penalties imposed based on the violation of those sanctions.
See comment 3.	3 24/3	Entities or individuals designated under E.O. 13382 are listed on OFAC's website and SDN List with the specific identification of "NPWMD." Treasury can and does identify which entities have been designated for nuclear proliferation reasons at the time of designation.
See comment 4.	4 24/3	In reference to the point about Treasury's failure to designate entities publicly identified with the A. Q. Khan network, designation decisions involve an interagency process that identifies, assesses and prioritizes targets.
See comment 5.	5 24	The footnote on page 24, which states that three of Treasury's sanctions programs relate to WMD, should be deleted or rephrased for reasons of clarity. Presumably, the two programs referenced in addition to E.O. 13382 are an import ban, implemented pursuant to E.O. 13094, and the Highly Enriched Uranium (HEU) blocking program, implemented pursuant to E.O. 13159. The import ban provides for State to name certain foreign persons from whom U.S. persons cannot import goods, services or technology. The focus of the HEU program is to protect highly enriched uranium from attachment by third parties.
See comment 6.	6 27/1	The phrase "and blocked from any U.S. property interest" should be changed to read "and have all of their property or interests in property that are or come into the United States or the possession of a U.S. person blocked."
See comment 7.	7 26-27	The reference to "or penalty" at the bottom of page 26 should be deleted and the phrase "have been penalized" at the top of page 27 should be changed to "have been sanctioned" as the imposition of sanctions is not a penal act.
See comment 8.	8 27/1	The phrase "prohibited from providing support to these proliferators" should be replaced with the phrase "prohibited, among other things, from providing funds, goods, or services to designated WMD entities, or dealing in the blocked property interests of such entities."
See comment 9.	9 5, 27	The recently enacted International Emergency Economic Powers Enhancement Act increased the civil and criminal penalties applicable to the violation of OFAC sanctions imposed under the International Emergency Economic Powers Act.

The following are GAO comments on the Department of Treasury's letter dated October 24, 2007.

GAO Comments

1. We disagree with Treasury's statement that because the scope of our study covered countries where A.Q. Khan operated, it likely skewed the results. The request for our review directly asked us to assess the U.S. government response to the A.Q. Khan network. Therefore, it was methodologically appropriate to focus on countries where such network activities reportedly occurred and would have been fruitless to focus a review of the U.S. response to nuclear networks on countries where such activity has not occurred.
2. We disagree with Treasury's assertion that it is able to identify which of its designations are related to nuclear proliferation and could similarly identify any civil penalties imposed based on the violation of OFAC sanctions. Treasury officials stated to us that they could not conduct a keyword search to identify entities that had been designated for nuclear proliferation reasons. One official emphasized that Treasury lacks the ability to definitively identify whether a given entity was designated for nuclear proliferation reasons. Treasury officials noted that they keep records on the rationale for an entity's designation, but they do not necessarily record what type of WMD proliferation the entity is involved in, if any. Despite its assertion, Treasury could not readily retrieve this information when we requested it and did not provide us with a complete list of entities designated for nuclear proliferation reasons.
3. Treasury's statement that it can and does identify which entities have been designated for nuclear proliferation reasons at the time of designation misses our point. It stated that entities or individuals designated under Executive Order 13382 are listed on OFAC's web site and specially designated nationals' list with the specific identification of "NPWMD." During our review, Treasury could not readily retrieve this information specifically for nuclear proliferation designations.
4. In commenting on our finding that Treasury did not designate entities publicly identified with the A.Q. Khan network, Treasury stated that its designation decisions involve an interagency process that identifies, assesses, and prioritizes targets. Given the absence of these names, Treasury's statement suggests that the interagency process did not identify and assess entities of the A.Q. Khan network as priority targets.
5. We agree with Treasury's comment on the footnote on OFAC's sanctions programs and have added clarifying language, accordingly.

6. We have modified the language in the draft to reflect Treasury's comment.
7. We have changed this language, accordingly.
8. We believe that the language of our draft accurately reflects the meaning of Treasury's proposed rewording in a more concise fashion. Thus, we have not modified the language of our report.
9. We have modified language in the report to reflect Treasury's updated information on enactment of the International Emergency Economic Powers Enhancement Act.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov

Staff Acknowledgments

Muriel J. Forster, Assistant Director; Jeffrey D. Phillips; Leah DeWolf; Jennifer L. Young; Lynn Cothorn; Mark B. Dowling; Mark C. Speight; and Martin De Alteris made key contributions to this report.

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