



PARLIAMENTARY ASSEMBLY OF THE MEDITERRANEAN  
ASSEMBLEE PARLEMENTAIRE DE LA MEDITERRANEE

برلمان البحر الأبيض المتوسط

### **Background Note**

## **The trilateral cooperation: How the Russian Federation, Iran and North Korea are evading international sanctions**

*As of 28 February 2024*

Disclaimer: This document was prepared by the researchers of the International Study Centre of the Parliamentary Assembly of the Mediterranean (PAM) in San Marino, in their personal capacity. The opinions expressed in the note are the authors' own and do not reflect the views of PAM.

### **Sanctions imposed on the Russian Federation**

**Why:** The 2022 unprovoked and illegal war of aggression against Ukraine’s sovereignty, independence, and territorial integrity.

**Who and When:** The EU (13 packages of sanctions since 2022), G7 (since 2022), Switzerland (since 2022), Australia (since 2022), New Zealand (since 2022), Norway (since 2022), and Ukraine (since 2022).

**Which ones:** Targeted restrictive measures (on individuals); on international trade (commercial entities, import, export, and investment banks); financial (on assets of individuals, as well as frozen foreign-exchange reserves of the Russian Central Bank, and other public and private companies); on the energy sector and petroleum industry (price caps); transport; armed forces and military industry (sales of dual-use technologies and goods).

### **Sanctions imposed on Iran**

**Why:** The seizure of the US Embassy in Tehran; acts of and support to terrorist and non-State armed groups; support to the Russian invasion of Ukraine; “undeclared” nuclear program and weapon proliferation, human rights violations and abuse.

**Who and When:** The US (since 1979), the UN Security Council (since 2006, part of them has already expired and the UN sanction regime on Iran will be terminated in 2025 if no renewal action is taken), the EU (since 2010), Japan (since 2018), South Korea (since 2018), Canada (since 2010), Australia (since 2017), Norway (since 2010), Switzerland (since 2015), and the UK (since 2023).

**Which ones:** Targeted restrictive measures (on individuals); on international trade (commercial entities, import, export, and investment banks); financial (on individuals, as well as public and private institutions); on the energy sector and petroleum industry; on paramilitary forces and military complex (sales of arms, nuclear materials, and dual-use technologies and goods).

### **Sanctions imposed on North Korea**

**Why:** Nuclear and ballistic missile program, human rights violations and abuse, illicit finance and cyber activities.

**Who and When:** The US (since 1950), the UN Security Council (since 2006), the EU (since 2006), South Korea (since 2010), Canada (since 2011), Japan (since 2016), Australia (since 2017), China (since 2017), Taiwan (since 2017).

**Which ones:** Targeted restrictive measures (on individuals); on international trade (commercial entities, import, export, and investment banks); financial (on individuals, as well as public and private institutions); on military industry (sales of arms, nuclear materials, and dual-use technologies and goods).

## **Brief Introduction**

1. Since the beginning of the illegal and unprovoked war of aggression against Ukraine, extensive sanctions have been imposed on the Russian Federation, to limit its capabilities to finance the invasion. As a result, Russia has become the most sanctioned state in the world, with 18,772 active sanctions as of December 2023<sup>1</sup>.
2. In this regard, the UN General Assembly adopted many resolutions to condemn the aggression of Russia against Ukraine, among them, resolution ES-11/1, demanding the

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<sup>1</sup> <https://www.statista.com/chart/27015/number-of-currently-active-sanctions-by-target-country/>

Russian Federation to immediately end the invasion and unconditionally withdraw all its military forces from the country; resolution ES-11/2, asking for an immediate cessation of the hostilities by the Russian Federation against Ukraine, in particular of any attacks against the population and civilian infrastructures; and resolution ES-11/4, declaring that Russia's so-called referendums in the Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts, and the subsequent attempted annexation, are invalid and illegal under international law.

3. On 14 November 2022, the UN General Assembly adopted a historic resolution, A/ES-11/L.6, calling on Russia to pay war reparations and recommending Member States to establish an international register to document evidence and claims against Russia, as well as an international mechanism for damage, losses or injuries sustained since 24 February.
4. In addition, the European Court on Human Rights (ECHR) and the International Court of Justice (ICJ) ruled over Russia to refrain from military attacks against civilians and civilian objects in Ukraine and withdraw all its military units from the country. In March 2023, the International Criminal Court (ICC) also issued arrest warrants against Russian President, Vladimir Putin, and Maria Alekseyevna Lvova-Belov, Commissioner for Children's Rights in the Office of the Russian President, for individual criminal responsibility for the war crime of unlawful deportation of population (children) and that of unlawful transfer of population (children) from occupied areas of Ukraine to the Russian Federation<sup>2</sup>.
5. Despite all these condemnation from the international community, which constitute ground for the imposition of sanctions, evidence is emerging that the Russian Federation has been able to adapt its financial and trade strategy to partially avoid the effects of sanctions, especially pivoting towards East to strengthen economic ties, including technology sharing and weapon supplies, with China, Iran, and North Korea<sup>3 and 4</sup>.
6. This note has the aim to provide an overview on how Russia is circumventing international sanctions, especially emulating similar patterns of evasion already implemented and with the support of Iran and North Korea, which will be also analyzed in the document, taking also into consideration their assistance to Russia to continue its war in Ukraine.

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<sup>2</sup> <https://www.icc-cpi.int/news/situation-ukraine-icc-judges-issue-arrest-warrants-against-vladimir-vladimirovich-putin-and>

<sup>3</sup> <https://www.geopoliticalmonitor.com/how-russia-survives-western-sanctions/>

<sup>4</sup> Developing Bad Habits: What Russia Might Learn from Iran's Sanctions Evasion, Occasional Paper by Dr. Tom Keatinge, published in 2023 by the Royal United Services Institute for Defence and Security Studies (RUSI).

## Russian Federation

7. Soon after the beginning of the war of aggression against Ukraine on 24 February 2022, Russia was placed under an unprecedentedly severe sanctions regime, imposed primarily by the US, EU, UK, Switzerland, Japan, Australia, and Taiwan<sup>5</sup>. These sanctions supplement existing measures that had been imposed on Russia already in 2014, following its illegal annexation of Crimea and the lack of implementation of the Minsk Agreements<sup>6</sup>.
8. As a result of these restrictions, and based on the declared intention of the Russian regime to continue its invasion of Ukraine, Russia has been trying to pursue new sources both to sustain its economy and to ensure armament supplies and military equipment. This has encouraged the country to gravitate towards those other jurisdictions, notably Iran and North Korea, which have demonstrated their ability to develop and implement their own responses to international sanctions<sup>7</sup>.
9. From the economic and financial point of view, sanctions imposed on Russia range from the ban of the European Commission on key Russian banks to utilize the SWIFT financial messaging system and all transactions with the National Central Bank of Russia, to the freezing of sovereign Russian assets in the West, amounting to roughly 300 US billion dollars<sup>8</sup> - which will be possibly used, according to a G7 Finance Ministers and Central Bank Governors' Statement<sup>9</sup>, to direct support the recovery and reconstruction of Ukraine.
10. To circumvent these economic and financial sanctions, Russia took example from the de-dollarization experience of other countries, such as Iran, and resorted the rouble-denominated payments using its messaging system SPFS. In addition, people living in Russia have begun to convert rubbles into cryptocurrencies through exchanges that are registered outside the US and the countries of the EU, even launching fundraising campaigns for cryptos to finance the invasion of Ukraine<sup>10</sup>.
11. In December 2022, the G7 countries imposed a price cap on Russian crude oil (a limit of 60 dollars per barrel), with the objective to reduce Russian revenues to finance the war in

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<sup>5</sup> <https://edition.cnn.com/2022/02/25/business/list-global-sanctions-russia-ukraine-war-intl-hnk/index.html>

<sup>6</sup> <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/sanctions-against-russia-explained/#sanctions>

<sup>7</sup> Developing Bad Habits: What Russia Might Learn from Iran's Sanctions Evasion, Occasional Paper by Dr. Tom Keatinge, published in 2023 by the Royal United Services Institute for Defence and Security Studies (RUSI).

<sup>8</sup> <https://www.reuters.com/world/europe/what-where-are-russias-300-billion-reserves-frozen-west-2023-12-28>

<sup>9</sup> <https://www.consilium.europa.eu/en/press/press-releases/2023/10/12/g7-finance-ministers-and-central-bank-governors-statement/>

<sup>10</sup> <https://www.marketplace.org/2023/09/25/eu-russia-crypto-sanctions/>

Ukraine<sup>11</sup>. Although the price cap has cost Russia an estimated 47.3 US billion dollars<sup>12</sup>, according to the Center for Research on Energy and Clean Air (CREA), it represents a partial failure due to the lack of implementation of the provision itself by western countries, enabling Russia to sell its oil above the price cap level, while increasing export volumes to new willing buyers that are not imposing sanctions. As of October 2023, 48% of Russian oil shipments were carried on tankers owned or insured in G7 and EU countries<sup>13</sup>.

12. Moreover, Russia is able to circumvent the oil cap, spending billions of dollars to gather a “shadow fleet”, made of clandestine vessels with owners covered behind shell companies and traders, with frequent “flag hopping” - which is the swapping of a vessel’s flags to circumvent laws - and rerouted its oil sales with a discounted price to China and India<sup>14</sup>. Not mentioning that foreign refineries are largely re-selling refined Russian oil turned to fuel to Europe<sup>15</sup> and North America.
13. In particular, Indian purchases of Russian crude increased by over 13 times compared to the pre-war amounts<sup>16</sup>. As confirmed by major media outlets, such as Wall Street Journal<sup>17</sup> and CNN<sup>18</sup>, the route taken by tankers transporting crude oil from Russia to India involves in certain cases a ship-to-ship transfer in Europe. In addition, there is evidence, confirmed in a new report from the Royal United Services Institute (RUSI)<sup>19</sup>, that also Brazil is buying Russian oil in record quantities<sup>20</sup>.
14. Based on Ukrainian open sources, following a drone attack on a gas export terminal near the city of Saint Petersburg on 21 January 2024, there is evidence that ships at that terminal would have continued their route towards European ports bringing crude oil. This is apparently the case for a tanker called “Clearocean Apollon”, built in 2019 and sailing under the flag of Liberia. The tanker, owned by a firm based in Singapore, but operated for another company located in Greece, was supposed to reach, as its next destination, the port of Vlissingen, in the Netherlands. In addition, still from the same sources, it was reported that last month Ukraine targeted the main Russian oil port in the Black Sea, Novorossiysk,

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<sup>11</sup> [https://ec.europa.eu/commission/presscorner/detail/en/QANDA\\_22\\_7469](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_22_7469)

<sup>12</sup> <https://www.atlanticcouncil.org/blogs/new-atlanticist/rebooting-the-russian-oil-price-cap/>

<sup>13</sup> <https://energyandcleanair.org/publication/one-year-of-sanctions-russias-oil-export-revenues-cut-by-eur-34-bn/>

<sup>14</sup> <https://www.reuters.com/business/energy/half-russias-2023-oil-petroleum-exports-went-china-russias-novak-2023-12-27/>

<sup>15</sup> <https://www.reuters.com/business/energy/fuels-russian-oil-gets-backdoor-entry-into-europe-via-india-2023-04-05/>

<sup>16</sup> <https://energyandcleanair.org/january-2024-monthly-analysis-of-russian-fossil-fuel-exports-and-sanctions/>

<sup>17</sup> <https://www.wsj.com/video/a-shadow-fleet-of-oil-tankers-is-helping-russia-evade-sanctions/CC53F349-7F79-435F-A805-7B9BEB2E59AD>

<sup>18</sup> <https://edition.cnn.com/2024/02/19/europe/russia-oil-india-shadow-fleet-cmd-intl/index.html>

<sup>19</sup> <https://static.rusi.org/SR-Russian-Unconventional-Weapons-final-web.pdf>

<sup>20</sup> <https://www.nytimes.com/2024/02/22/us/politics/russia-war-anniversary-sanctions.html>

and reportedly, some western allies requested the Government of Ukraine to avoid attacks in that area to not disrupt the shipping of oil towards Europe<sup>21</sup>.

15. Beyond oil, over the last two years, Russia generated incomes through the exportation and selling of diamonds. In fact, not only Russia is the world largest diamond mining country<sup>22</sup>, but also controls, through private companies, often linked to its mercenary groups – notably the Wagner Group (also under sanctions), and the newly established “African Corps” – numerous gold and diamond mines in African countries, such as in the Central African Republic and Mali. Although the EU banned Russian diamonds<sup>23</sup>, other countries continue to buy them, often resorting to the intermediation of Armenia and Kyrgyzstan<sup>24 and 25</sup>.
16. It worth noticing that, in respect of international decisions, the UAE put under scrutiny many Russian firms located in the country, and as a result several of them moved their offices and operational headquarters to other Gulf States<sup>26</sup>. In early January, the UAE Ministry of Energy and Infrastructure released a circular announcing the update of the list of flags on ships that require international classification to enter the UAE. In this regard, the UAE has already banned ships, which were entering its waters, sailing under the flag of Cameroon, because they were discovered to be part of the Russian “shadow fleet”<sup>27</sup>. Cameroon has become the ninth national flag state listed by the Ministry. Other flags listed include Tanzania, the Republic of Congo, Equatorial Guinea, Tonga, and Sao Tome and Principe<sup>28</sup>.
17. Western countries also imposed restrictions on export of dual-use technology to harm Russian military capabilities. However, Russian companies managed able to buy dual-use technology from western companies through entities sited in third countries. Based on research made by the Ukrainian Government, with the contribution of the Kyiv School of Economics, western companies supplied Russia with 2.9 billion dollars’ worth of components<sup>29</sup> that were used for military production and purposes in the first 10 months of 2023 despite sanctions on the country.

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<sup>21</sup> <https://www.youtube.com/watch?v=m-CyHN2sDTA>

<sup>22</sup> <https://www.nenergybusiness.com/news/top-diamond-mining-countries-world/>

<sup>23</sup> <https://english.elpais.com/international/2023-11-13/eu-moves-to-ban-russian-diamonds-after-months-of-negotiations.html>

<sup>24</sup> <https://www.mining.com/web/hong-kong-ousts-dubai-as-biggest-hub-for-russian-gold-trade/>

<sup>25</sup> <https://hetq.am/en/article/162768>

<sup>26</sup> <https://www.bloomberg.com/news/articles/2023-11-23/uae-tightens-scrutiny-on-russian-firms-amid-pressure-from-us>

<sup>27</sup> <https://news.bloomberglaw.com/insurance/uae-bans-cameroon-flagged-tankers-part-of-russias-shadow-fleet>

<sup>28</sup> <https://maritime-executive.com/article/ships-flagged-in-cameroon-banned-by-uae-in-shadow-fleet-crackdown>

<sup>29</sup> [https://www.lemonde.fr/en/economy/article/2023/06/17/war-in-ukraine-hundreds-of-western-electronic-components-found-in-russian-weapons\\_6032830\\_19.html](https://www.lemonde.fr/en/economy/article/2023/06/17/war-in-ukraine-hundreds-of-western-electronic-components-found-in-russian-weapons_6032830_19.html)

18. In 2023, Russian imports of military products reached 90% of pre-invasion levels. Russia has also repeatedly turned to North Korea and Iran for armaments, including Soviet-era weaponry, as well as munitions, attack and surveillance drones<sup>30</sup>. In this regard, according to leaked documents posted online by the Prana Network, Russia paid two billion dollars in gold bullion to purchase from Iran 6,000 Shahed-136 drones, used in attacks against military and civilian targets in Ukraine<sup>31</sup>. Iran also sent to Russia hundreds of ballistic missiles<sup>32</sup>.
19. In the week of 15 January 2024, a drone, similar to the Iranian-made ones used by Russia against Ukraine, appeared on the Chinese e-commerce Alibaba to be sold for the price of 57,000 US dollars. According to Ukrainian authorities, the Russian army has deployed more than 3,000 of these suicide drones in the past two years. In the end, the advertised drone was a Chinese-made one. Within a short time, following reports, the ad was removed by the owner, the OEM Sunlipo company, based in Shenzhen (China), claiming that the advertisement was only to sell the drone batteries and not the drone itself<sup>33</sup>. However, it seems that someone had the possibility to buy many units before the removal from the Alibaba website<sup>34</sup>.
20. An investigation conducted by the Insider, a Russian independent online newspaper specialized in investigative journalism, and the Reporter, a Taiwanese media outlet, documented that Taiwan and Japan have become the main source of high-precision machine tools for Russia<sup>35</sup>, which reach the country via China<sup>36</sup>.
21. In February 2024, reports provided by the Ukrainian military, stressed that Russian army is utilizing Starlink satellite communication network in the occupied territories of Donetsk, Luhansk, Kherson and Zaporizhzhia<sup>37</sup>. Apparently, the systems are purchased by companies based in third countries, which activate the accounts and then resell them to Russia<sup>38</sup>. Some terminals are also reported to have been illegally registered in Cyprus, among other countries<sup>39</sup>.

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<sup>30</sup> <https://www.nytimes.com/2023/10/13/us/politics/north-korea-weapons-russia-ukraine.html>

<sup>31</sup> <https://www.telegraph.co.uk/world-news/2024/02/07/russia-paid-billions-gold-bullion-shahed-drones-ukraine-war/>

<sup>32</sup> <https://www.reuters.com/world/iran-sends-russia-hundreds-ballistic-missiles-sources-say-2024-02-21/>

<sup>33</sup> <https://www.vice.com/en/article/3akeqk/knockoff-iranian-drone-sold-on-alibaba-was-meant-for-war-documents-show>

<sup>34</sup> [https://www.youtube.com/watch?v=A\\_sSdjKSF10](https://www.youtube.com/watch?v=A_sSdjKSF10)

<sup>35</sup> <https://www.eurasiantimes.com/new-russia-evades-sanctions-to-acquire-tank/>

<sup>36</sup> <https://asia.nikkei.com/Politics/Ukraine-war/Russia-procures-tank-parts-from-Japan-and-Taiwan-via-China>

<sup>37</sup> <https://bulgarianmilitary.com/2024/02/08/russian-troops-use-starlink-licensed-and-imported-from-dubai/>

<sup>38</sup> <https://www.extremetech.com/defense/russian-forces-starlink-ukraine>

<sup>39</sup> <https://www.newsweek.com/russia-starlink-ukraine-war-elon-musk-1868125>

22. Starlink is operated by the private company SpaceX, owned by Elon Musk. The company mainly relies on contracts with the US Government agencies and military. If the use of Starlink is certified in Russia-occupied territories of Ukraine, even in case that SpaceX was not aware, this would constitute a major breach in international sanctions<sup>40</sup>.
23. Overall, despite the numerous international sanctions imposed on Russia, the country's economy registered a 3.6% growth in 2023, as mentioned heavily relying on state-funded arms and ammunition production. However, many economists observed that this growth has almost no benefit for civilian economy and the living conditions of Russians<sup>41</sup>. According to the Managing Director of the International Monetary Fund, Kristalina Georgieva, "the Russian economy is (in) for very tough times because of the outflow of people and because of the reduced access to technology that comes with the sanctions [...] So although this number looks like a good number, there is a bigger story behind (it) and it is not a very good story"<sup>42</sup>.
24. At the following link is the list and timeline of sanctions against the Russian Federation, starting from 22 February 2023 until February 2024:

<https://www.ashurst.com/en/insights/russia-sanctions-tracker/>

## Iran

25. Iran has gained a lot of experience in circumventing international sanctions, mostly related to its nuclear program and financing of terrorism.
26. Therefore, the country has developed notable sanctions evasion capabilities, especially trying to fund its economy through the export of hydrocarbons to, among other countries, China.<sup>43</sup>
27. In recent years, the number of unilateral sanctions imposed on Iran surged, including the reimposition of sanctions by the US, following the decision of former US President Donald Trump to withdraw from the 2015 Joint Comprehensive Plan of Action, under which Iran originally received certain UN, unilateral and national sanctions reliefs. New sanctions are

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<sup>40</sup> <https://www.extremetech.com/defense/russian-forces-starlink-ukraine>

<sup>41</sup> <https://www.reuters.com/world/europe/russias-gdp-boost-military-spending-belies-wider-economic-woes-2024-02-07/>

<sup>42</sup> <https://www.reuters.com/markets/europe/russias-war-economy-faces-tough-times-ahead-says-imfs-georgieva-2024-02-12/>

<sup>43</sup> IISS (2022), 'Russia and Sanctions Evasion', *Strategic Comments* 28(4), pp. vii - ix



linked to Iranian nuclear program, and its involvement in providing military supplies to Russia.

28. On 18 October 2023, UNSC sanctions on Iran, which prohibited the country from importing and exporting certain missiles, drones, and related technologies without prior UN Security Council approval under Resolution 2231 (2015), expired<sup>44</sup>. On the same day, in a statement released by the US and the Proliferation Security Initiative (PSI), several countries endorsing the PSI affirmed their unwavering “commitment to take all necessary measures to prevent the supply, sale, or transfer of ballistic missile-related items, materials, equipment, goods, and technology, to protect peace and stability in the world”<sup>45</sup>. Overall, without any further actions by the UNSC Permanent Members, Resolution 2231 (2015) will terminate in 2025, and the UNSC will conclude its consideration of the Iranian nuclear issue, and the item “Non-proliferation” will be removed from the list of matters of which the Council is seized<sup>46</sup>.
29. Regarding the relation between Iran and Russia, the two countries have formalized an agreement in early December 2023 on the “ways and means to counter, mitigate and redress the adverse impacts of unilateral coercive measures”<sup>47</sup>, strengthening their cooperation and creating a common front against the US-led sanctions<sup>48</sup>.
30. Trade towards partner countries is only part of the reason why Iran continues to survive. In fact, the country has also been implementing a number of activities to generate dollars. In this regard, Iran is using two specific methods: currency conversion and illicit activities.
31. Currency conversion involves the physical outbound movement of domestic currency out of Iran, its sale and conversion into physical US dollars, and return to the country<sup>49</sup>. In addition, Iran is increasingly turning towards the market of cryptocurrencies as an alternative tool to generate greater income and to circumvent sanctions<sup>50</sup>.
32. However, currency conversions and cryptocurrencies alone fall short of sufficiently responding to Iran’s dire economic situation. Therefore, the country also recurs to the sale

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<sup>44</sup> <https://www.armscontrol.org/act/2023-11/news/un-missile-sanctions-iran-expire>

<sup>45</sup> <https://www.state.gov/joint-statement-on-un-security-council-resolution-2231-transition-day/>

<sup>46</sup> <https://jinsa.org/international-sanctions-on-iran-about-to-collapse/>

<sup>47</sup> [https://mid.ru/en/press\\_service/vizity-](https://mid.ru/en/press_service/vizity-)

[ministra/1919257/?TSPD\\_101\\_R0=08765fb817ab200000fe87756c4eb9fccc70891a56bc3d846804e266e9ef10d8e2cea7c4871d8d39082253593a14300074c6c3c6e95edc4acf42b39defa2eedc438230c4992af323176697ff1e58b7149ce9d2769992eb631ed5d6cb75dd153f](https://mid.ru/en/press_service/vizity-ministra/1919257/?TSPD_101_R0=08765fb817ab200000fe87756c4eb9fccc70891a56bc3d846804e266e9ef10d8e2cea7c4871d8d39082253593a14300074c6c3c6e95edc4acf42b39defa2eedc438230c4992af323176697ff1e58b7149ce9d2769992eb631ed5d6cb75dd153f)

<sup>48</sup> <https://tass.com/politics/1716401>

<sup>49</sup> <https://home.treasury.gov/news/press-releases/jy0362>

<sup>50</sup> <https://iranwire.com/en/features/69084/>

of sanctioned goods, via existing overseas networks of businesses and agents, who set up front companies and associated bank accounts, to trade Iranian commodities with falsified documentation, under jurisdictions having minimal oversight, such as Panama or Sierra Leone<sup>51</sup>. While some of these revenues are couriered back to Iran, most are used to facilitate future import activities<sup>52</sup>. Many of these transactions are also overseen and managed directly by the Central Bank of Iran<sup>53</sup>.

33. In this regard, in early 2023, the US Department of the Treasury's Office of Foreign Assets Control (OFAC), sanctioned a consistent network of "shadow banking" that granted access to Iran to the international financial system and obfuscated trade with foreign customers<sup>54</sup>. In this context, Iran greatly benefits from service-providing states, which house global financial centers where supervision and international prosecution and enforcement of financial crime regulations are weak<sup>55</sup>.
34. Moreover, according to recent media investigations, appeared on the Financial Times and Bloomberg, Iran was able to evade primary sanctions and to covertly transfer money internationally also using accounts held by two major British financial institutions: Lloyds Banking Group Plc and Santander UK<sup>56</sup>.
35. The case of Iran is also very peculiar for its "symbiotic relation" with non-state actors, including US terrorist designated groups<sup>57</sup>, such as Hezbollah, Hamas, the Palestinian Islamic Jihad, and the Houthis. To make a few examples, in a publication dated September 2020, the US State Department reported that Iran historically provided Hamas with 100 million dollars annually, in combined support to Palestinian terrorist groups, also including the Palestine Islamic Jihad (PIJ), and the Popular Front for the Liberation of Palestine-General Command<sup>58</sup>.
36. In 2020, the Financial Action Taskforce (FAFT) enlisted Iran in the financing blacklist "given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with

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<sup>51</sup> IISS (2022), 'Russia and Sanctions Evasion', *Strategic Comments* 28(4), pp. vii - ix

<sup>52</sup> Developing Bad Habits: What Russia Might Learn from Iran's Sanctions Evasion, Occasional Paper by Dr. Tom Keatinge, published in 2023 by the Royal United Services Institute for Defence and Security Studies (RUSI).

<sup>53</sup> <https://www.swift.com/about-us/legal/compliance-0/swift-and-sanctions>

<sup>54</sup> <https://www.state.gov/designating-iran-sanctions-evasion-networks/>

<sup>55</sup> Developing Bad Habits: What Russia Might Learn from Iran's Sanctions Evasion, Occasional Paper by Dr. Tom Keatinge, published in 2023 by the Royal United Services Institute for Defence and Security Studies (RUSI).

<sup>56</sup> <https://www.ft.com/content/aac08cf4-a6f2-4e39-995f-23f7fa5ea5ea>;

<https://www.bloomberg.com/news/articles/2024-02-04/iran-used-santander-lloyds-accounts-to-evade-sanctions-ft-says>

<sup>57</sup> Developing Bad Habits: What Russia Might Learn from Iran's Sanctions Evasion, Occasional Paper by Dr. Tom Keatinge, published in 2023 by the Royal United Services Institute for Defence and Security Studies (RUSI).

<sup>58</sup> U.S. State Department, *Outlaw Regime: A Chronicle of Iran's Destructive Activities*, September 2020

the FATF Standards [...]”<sup>59</sup>. In the 2022 US Country Report on Terrorism, Iran was mentioned as a leading State sponsor of terrorism, facilitating a wide range of terrorist and other illicit activities around the world<sup>60</sup>.

37. In recent months, Iran has also stated its support for the leaders of the military juntas in Mali, Burkina Faso and Niger. With specific reference to Niger, Iran recently declared its readiness to help the country to overcome the repercussions of international sanctions, following the military coup in July 2023<sup>61</sup>.

## **Democratic People’s Republic of Korea - North Korea**

38. Since its foundation in 1948, North Korea has been subject to a multilateral sanction and the embargo regime<sup>62</sup>, with even more strict measures imposed by the UN Security Council<sup>63</sup> and the EU, following the country’s first nuclear test in 2006<sup>64</sup>. Therefore, North Korean authorities developed elaborate methods to circumvent sanctions over decades, to both create new sources of illicit income, as well as to import and export various goods, resources, and technology. As a result, sanctions-evading actions have become a largely institutionalized aspect of North Korea’s economy<sup>65</sup>.

39. As per the latest Report of the UN Panel of Experts, established pursuant UNSC Resolution 1874 (2009), released in September 2023, North Korea is subject to multilateral sanctions and embargoes in the following areas: first, its nuclear and ballistic program, which includes the transfers of relevant technology; second, sectoral and maritime sanctions; third, embargoes on arms, designated entities, and individuals; and lastly, financial sanctions<sup>66</sup>. The document also reported several examples on how the country is able to evade sanctions, namely, through the use of front and subordinate companies, or, the Geo-Spoofing, an informatic practice, which allows to hide the true geographic location, making devices look like they are somewhere else. All over these years, China stands out among the countries that regularly assist North Korea in circumventing sanctions and embargos.<sup>67</sup>

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<sup>59</sup> <https://www.reuters.com/article/idUSKBN20F1Z4/>

<sup>60</sup> <https://www.state.gov/reports/country-reports-on-terrorism-2022/>

<sup>61</sup> <https://www.voanews.com/a/iran-says-it-is-willing-to-help-niger-overcome-sanctions/7455787.html>

<sup>62</sup> Rüdiger, F. (2018) ‘Economic Sanctions against North Korea’, *Asia Policy*, 13(2), 5 – 12

<sup>63</sup> UN Security Council Resolution 1718 (14 October 2006) UN Doc S/RES/1718 (2006)

<sup>64</sup> <https://www.consilium.europa.eu/en/policies/sanctions/north-korea-sanctions/timeline-eu-restrictive-measures-against-north-korea/>

<sup>65</sup> <https://www.eastasiaforum.org/2023/07/05/the-complicated-truth-about-sanctions-on-north-korea/>

<sup>66</sup> UN Security Council Midterm report of the Panel of Experts submitted pursuant to resolution 2680 (2023), 12 September 2023

<sup>67</sup> <https://www.voanews.com/a/china-supported-sanctions-on-north-korea-s-nuclear-program-it-s-also-behind-their-failure/7340051.html>

40. Recently, following the Russian invasion of Ukraine, evidence has been collected that North Korea is providing Russia with military support, which includes large amounts of munitions and weaponry<sup>68</sup>. For instance, according to the National Intelligence Service of South Korea, North Korea has been operating its munitions factories at full capacity to meet Russian munition demands. North Korea, for its part, is likely receiving Russian nuclear-related technologies and assistance to establish an anti-air defense network<sup>69</sup>. The US stressed that North Korea has also provided Russia with ballistic missiles and their launchers, as well as hundreds of thousands of artillery shells<sup>70</sup>.
41. In January 2024, the UK provided the UN Panel of Experts with satellite pictures, in the timeframe from September to December 2023, of three Russian ships – named Maia, Angara and Maria – loading containers from the port of Najin, in North Korea, to transit then towards Russia. Although the contents in the containers cannot be verified, taking into consideration that North Korean weapons are being used in Ukraine by the analysis of debris collected, there may be grounds for requesting an official investigation into arms deals violation of international sanctions<sup>71</sup>.
42. In February 2024, the UK-based center Conflict Armament Research (CAR) has determined that a ballistic missile produced by North Korea and recovered in Kharkiv (Ukraine) in January 2024, was made of more than 290 non-domestic electronic components<sup>72</sup>. CAR’s documentation shows that the North Korean missile integrated many components manufactured, within the last three years, having on it the marks of companies mostly based in the United States<sup>73</sup>. This finding shows evidence of North Korea’s ability to produce advanced weapons and to circumvent international sanctions<sup>74</sup>.
43. Although Russia’s logistical support to North Korea in evading sanctions is not new<sup>75</sup>, North Korean supply of armaments to Russia, for its illegal war of aggression against Ukraine, constitutes a remarkable shift in the level of cooperation between the two countries. In addition, the introduction of missiles from North Korea in the war against

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<sup>68</sup> <https://www.rferl.org/a/north-korea-supplying-weaponry-russia-ukraine-war/32641294.html>

<sup>69</sup> <https://www.voanews.com/a/north-korea-likely-sent-millions-of-shells-missiles-to-russia-seoul-says/7339494.html>

<sup>70</sup> <https://www.politico.com/news/2024/01/04/kirby-russia-used-north-korean-missiles-in-ukraine-00133879>

<sup>71</sup> <https://www.theguardian.com/world/2024/jan/22/uk-sends-un-experts-photographs-north-korean-shipments-russia>

<sup>72</sup> <https://www.bloomberg.com/news/articles/2024-02-20/north-korean-missile-made-with-us-european-parts-report-says>

<sup>73</sup> <https://storymaps.arcgis.com/stories/0814c6868bbd45a98b15693a31bd0e7f>

<sup>74</sup> <https://edition.cnn.com/2024/02/20/politics/north-korean-missile-russia-ukraine-components/index.html>

<sup>75</sup> <https://foreignpolicy.com/2018/09/20/un-report-details-how-north-korea-evades-sanctions/>

Ukraine represents a serious concern in regard with the international efforts of non-proliferation, as well as the security and stability of the Korean Peninsula.

44. On 21 November 2023, following the successful launch of its first reconnaissance satellite in orbit, again in violation of multiple UN Security Council resolutions<sup>76</sup>, North Korea appeared to have received credible assistance from Russia for its space program<sup>77</sup>.
45. On another note, regarding the terror attacks carried out by Hamas against Israel on 7 October 2023, reports<sup>78</sup>, later verified by South Korean intelligence, revealed that Hamas used North Korean arms during its assaults<sup>79</sup>. As part of its illicit arms sales activities, which dates back to the early 1990s, North Korea conducts illicit armament sales through intermediary destinations, such as Iran, and deploys third-party carriers, which make it increasingly difficult to intercept and interdict contraband<sup>80</sup>.
46. At a record-breaking level of cyberthefts in 2022, North Korea has also accrued 1.7 US billion dollars by targeting cryptocurrencies, information, and global financial exchanges, to primarily generate funds for its prohibited nuclear and ballistic missile program<sup>81</sup>.

## Secondary Sanctions

47. The definition of “secondary sanctions” refers to the imposition of penalties or restriction on persons and/or organizations that are involved and/or engaged in activities with persons and/or organizations on whom/which are imposed primary sanctions<sup>82</sup>.
48. After two years of sanctions imposed on Russia, following its ongoing war of aggression against Ukraine, the US decided on 22 December 2023 to take further action by issuing the Executive Order (E.O.) 14114<sup>83</sup>. This Order aims to affect all Foreign Financial Institutions (FFIs) that facilitate any Russia-related transactions or provide services to support the military-industrial base of Russia, including payment processing, trade finance, insurance and the sale, supply or transfer of certain items that have been identified by the OFAC<sup>84</sup>.

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<sup>76</sup> <https://www.reuters.com/world/asia-pacific/north-korea-flags-plan-launch-satellite-rocket-between-nov-22-dec-1-japan-says-2023-11-20/>

<sup>77</sup> <https://www.aljazeera.com/news/2023/11/1/north-korea-sends-russia-artillery-rounds-for-satellite-advice-s-korea>

<sup>78</sup> <https://www.airandspaceforces.com/hamas-north-korea-weapons-israel-nuclear-arms/>

<sup>79</sup> <https://www.bloomberg.com/news/articles/2024-01-08/south-korea-confirms-hamas-used-north-korean-weapons-in-war>

<sup>80</sup> <https://www.airandspaceforces.com/hamas-north-korea-weapons-israel-nuclear-arms/>

<sup>81</sup> UN Security Council Midterm report of the Panel of Experts submitted pursuant to resolution 2680 (2023), 12 September 2023

<sup>82</sup> <https://www.dowjones.com/professional/risk/glossary/sanctions/secondary-sanctions/>

<sup>83</sup> <https://www.govinfo.gov/content/pkg/FR-2023-12-26/pdf/2023-28662.pdf>

<sup>84</sup> <https://ofac.treasury.gov/media/932446/download?inline>

Under this new authority, the US can impose sanctions on all those FFIs that engage in such activities knowingly or not, and even where there is no US nexus to the activities themselves<sup>85</sup>.

49. Already in November 2023, the Treasury Department of the US had initiated the process to blacklist major corporations that hold ties with Russia, including JP Morgan Bank International, a subsidiary of the US-based JP Morgan Chase, the world's largest bank, which boosted Russian assets by 48% from March 2022<sup>86</sup> and <sup>87</sup>. Moreover, new investigations conducted by the US Department of Justice see Credit Suisse, acquired by the UBS Group in March 2023, being involved in a potential violation of sanctions against Russia, therefore allowing its Russian clients to evade them<sup>88</sup>.
50. In addition, the US E.O. 14114 imposes the responsibility on foreign third parties to identify and stop transactions that may support Russia<sup>89</sup>. As a consequence, many FFIs are starting to close corporate accounts associated with Russian clients. This concerns for instance many businesses that have used the Turkish territory as a transit jurisdiction for payments and deliveries, particularly within the domain of oil and gas trade<sup>90</sup>. As a result, relevant Turkish financial institutions have intensified their scrutiny of transactions associated with Russia to mitigate the risk of contravening US secondary sanctions<sup>91</sup>.
51. China and the UAE as well have reinforced their controls on Russian corporate accounts<sup>92</sup>. For instance, the Chinese Chouzhou Commercial Bank, which so far served as the primary intermediary for payments between Russia and China, has recently informed customers that all operations with Russia and Belarus would be discontinued<sup>93</sup>.

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<sup>85</sup> <https://www.nortonrosefulbright.com/-/media/files/nrf/nrfweb/knowledge-pdfs/220606-overview-of-us-sanctions-laws-and-regulations.pdf>

<sup>86</sup> <https://www.politico.com/news/2023/11/23/new-jersey-jp-morgan-russia-00128528>

<sup>87</sup> <https://tass.com/economy/1708911>

<sup>88</sup> <https://www.euronews.com/business/2023/09/28/ubs-shares-dip-as-us-department-of-justice-probe-into-russian-sanction-evasion>

<sup>89</sup> <https://www.natlawreview.com/article/new-russia-sanctions-intensify-pressure-banks-worldwide>

<sup>90</sup> <https://www.bloomberg.com/news/articles/2024-01-17/turkish-banks-tighten-screws-on-russia-over-fear-of-us-sanctions>

<sup>91</sup> <https://www.themoscowtimes.com/2024/02/01/turkish-banks-close-russian-corporate-accounts-over-secondary-sanctions-vedomosti-a83935>

<sup>92</sup> <https://www.bloomberg.com/news/articles/2024-01-17/turkish-banks-tighten-screws-on-russia-over-fear-of-us-sanctions>

<sup>93</sup> <https://www.aa.com.tr/en/asia-pacific/key-chinese-commercial-bank-halts-transactions-with-russians-belarusians-amid-growing-sanctions-fears/3130267#:~:text=The%20Chinese%20Chouzhou%20Commercial%20Bank,Vedomosti%20reported%2C%20citing%20multiple%20sources>

52. On 23 February 2024, for the first time, also the EU, through the adoption of its 13<sup>th</sup> package of sanctions against Russia, imposed sanctions on commercial companies based in China, India, Türkiye, Kazakhstan, Serbia, Thailand and Sri Lanka, which are allegedly aiding Russia's military-industrial complex to access banned components and technologies<sup>94</sup>. The US followed, announcing on the same day more than 500 new sanctions against Russia, bringing the number of the entities sanctioned to over 4,000<sup>95</sup>.
53. Over the years, secondary sanctions have been implemented also with regard to Iran and North Korea, in order to prevent and put an end to their collaboration to overcome international sanctions<sup>96</sup>.

## Conclusions

54. This note aims at highlighting that the ties between Russia, North Korea and Iran are growing stronger, as these countries find themselves in a position to survive the many sanctions imposed on them, reinforcing an already existing network of demand and supply of illicit finances, arms, goods, and technologies among themselves. At the same time, the evasion of sanctions would not be possible if third countries did not facilitate these illegal operations, and the international system had more effective methods for checking that sanctions are not circumvented.
55. At present, also the use of new technological tools helps sanction evasion, since most of the activities occur online, and it is very complex to understand from where they originate and to track them.
56. Having regard to recent events on the international scene, the trilateral cooperation among Russia, North Korea and Iran has the objective to disrupt the democratic and multilateral order and institutions, with the result to fuel tensions in an increasingly polarized scenario.
57. Therefore, greater international cooperation and dialogue is required, as well as the implementation of the dedicated UN and multilateral Resolutions and International Instruments, to address the impact of circumventing sanctions on international peace and stability.

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<sup>94</sup> <https://www.france24.com/en/europe/20240221-eu-targets-chinese-firms-accused-of-supplying-russia-in-fresh-ukraine-war-sanctions>

<sup>95</sup> <https://www.nytimes.com/2024/02/23/business/us-sanctions-russia.html>

<sup>96</sup> <https://ofac.treasury.gov/recent-actions/20230424>