

To: Our Clients and Friends

June 12, 2009

## Security Council Imposes New Sanctions On North Korea

In response to North Korea's underground nuclear test on May 25, 2009, the UN Security Council has unanimously passed a resolution imposing new sanctions focused on North Korea's financial transactions and arms industry. The resolution, written by the United States, strongly criticizes North Korea's withdrawal from the Treaty on Non-Proliferation of Nuclear Weapons and North Korea's recent activities related to its missile program.

### The new resolution

- extends the ban on specified military exports to North Korea under Security Council resolution 1718 to cover all "arms and related materiel" as well as financial transactions, training, advice, service and assistance relating to such items;
- calls on Member States to inspect cargo shipments to and from North Korea at seaports and airports, as well as on the high seas, if they have reason to believe the cargo contains arms or related materiel, and to seize any such cargo if found;
- calls on Member States to prohibit any financial services or transfers that "could contribute to" North Korea's nuclear, ballistic missile or WMD programs or activities;
- calls on Member States to freeze assets "associated with" North Korea's nuclear, ballistic missile or WMD programs or activities;
- calls on Member States and international financial and credit institutions not to enter into new commitments for grants, financial assistance or concessional loans to North Korea except for humanitarian or developmental purposes directly addressing the needs of the civilian population or promoting denuclearization; and
- calls on Member States not to provide public financial support for trade with North Korea that "could contribute to" North Korea's nuclear, ballistic missile or WMD programs or activities.

North Korea has previously stated that it will regard the arrest and inspection of its ships and their cargo as acts of war.

The new sanctions, while considerable, do not extend to trade in civilian goods and services. The ultimate impact of the new sanctions will depend on the extent to which governments' implementing laws and regulations define "related materiel" to cover dual use items; how broadly they define transactions that "could contribute to" or are "associated with" military programs or activities; and what level of due diligence they impose on exporters and financial institutions.

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