

North Korea: U.S. Sanctions

by The Swedish Club and Reed Smith LLP
September 2021

OVERVIEW

Pursuant to the U.S. North Korea Sanctions Regulations, 31 CFR Part 510, United States primary sanctions prohibit “U.S. persons” from engaging in virtually all North Korea-related transactions. U.S. dollars cannot be used for transactions related to North Korea or its nationals. In this context, “U.S. person” is defined as any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

The United States’ secondary sanctions, those that apply to non-U.S. persons and have no nexus to the United States (e.g., no U.S. persons, U.S.-origin goods, or U.S. dollar payments), are more targeted, and apply to specific types of transactions.

Below, we summarize the North Korean sanctions that are most relevant to the shipping and maritime community.

SPECIALLY DESIGNATED NATIONALS

A number of legal authorities allow the U.S. government to impose “blocking sanctions” on both North Korean and non-North Korean persons who engage in certain types of transactions. Once a person is subject to these blocking sanctions, any property or interests in their property within the jurisdiction of the United States, is frozen and cannot be transferred or otherwise dealt in. U.S. persons are also prohibited from engaging in virtually all transactions with blocked persons or entities, and non-U.S. persons could be exposed to a risk of sanctions if they engage in certain transactions with them.

U.S. SECONDARY SANCTIONS

Commodities

U.S. secondary sanctions that are most relevant to the maritime industry target transactions involving the following types of commodities:

- export of **food and agricultural products** from North Korea;
- transfer of **arms or arms-related material** to or from North Korea;
- transfer of **luxury goods** to North Korea;
- export of **gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth metals** from North Korea;
- transfer of **rocket, aviation or jet fuel** to North Korea;
- transfer of **crude oil, condensates, refined petroleum, other types of petroleum or petroleum by-products, liquefied natural gas, or other natural gas resources** to North Korea;
- export of **coal, iron, or iron ore** from North Korea; and
- export of **textiles** from North Korea.

Sanctions Specific to Vessels

U.S. law requires the imposition of sanctions on any person who knowingly:

- Provides **bunkering services** to certain North Korean vessels;
- **Insures, registers, facilitates the registration of, or maintains insurance or registration** for, North Korean vessels;
- **Sells or transfers** vessels to North Korea; or
- **Charters, insures, registers, facilitates the registration of, or maintain insurance or registration** for, a vessel owned, controlled, commanded or crewed by a North Korean person.

Additionally:

- No vessel that has **landed in North Korea** may land in the United States within 180 days after departure from North Korea.
- No vessel that has **engaged in a ship-to-ship transfer** with a vessel that has landed in North Korea within the last 180 days may call port in the United States.

North Korean Labor

U.S. sanctions also target the **export of workers from North Korea** (e.g., hiring North Korean crew), particularly where they are being used to generate revenue for the Government of North Korea or the Workers' Party of Korea.

Disclaimer: This Member Alert is intended to provide only general guidance and information pertaining to the issues identified and commented upon herein. The content of this Alert is not intended to be and should not be treated as being final a binding legal advice. If Members consider they are likely to or in fact have encountered problems or difficulties as discussed in this Alert, they are asked to contact the Club and obtain further legal advice relevant to their specific circumstances.