

## 18. Non-Proliferation: National Systems Effectiveness [166]

### Commitment:

"We remain determined to increase the effectiveness of our national systems to combat proliferation (non-proliferation)."

*Declaration on Non-proliferation and Disarmament*

### Assessment:

Country	Lack of Compliance -1	Work in Progress 0	Full Compliance +1
Canada			+1
France			+1
Germany			+1
Italy			+1
Japan			+1
Russia			+1
United Kingdom			+1
United States			+1
European Union			+1
Average Score			+1

### Background:

The G8 has consistently referred to the need to strengthen national non-proliferation infrastructures since the early 1990s. In 1998, the G8 declared that “we will where appropriate undertake and encourage the strengthening of laws, regulations, and enforcement mechanisms” to ensure that there is a proper execution of export controls and to prevent any other means by which non-nuclear weapon states might be aided by G8 member states in gaining those weapons.<sup>2081</sup> Post-9/11, the focus of the G8 shifted to terrorist activities involving nuclear weapons. In 2002 the G8 mentioned the need to prevent terrorists from obtaining nuclear weapons materials, and made a series of commitments to increase their own national efforts to prevent proliferation.<sup>2082</sup> Similar steps were taken at a number of later G8 Summits.

The G8 has continued to place a greater focus on the connections between non-proliferation and terrorism by referring to United Nations Security Council Resolution (UNSCR) 1540 in the 2011 Deauville Summit’s Declaration on Non-proliferation and Disarmament. UNSCR 1540 requires “that all States...shall adopt and enforce appropriate effective laws which prohibit any non-State actor to manufacture, acquire, possess, develop, transport, transfer, or use nuclear, chemical or biological weapons and their means of delivery....”<sup>2083</sup>

<sup>2081</sup> Accountability Report on Arms Control and Non-Proliferation: The G8’s Compliance Record, 1975-2009, G8 Information Centre (Toronto) 13 April 2010. Date of Access: 11 December 2011.

<http://www.g8.utoronto.ca/scholar/guebert-kirton-arms-2010.pdf>.

<sup>2082</sup> Accountability Report on Arms Control and Non-Proliferation: The G8’s Compliance Record, 1975-2009, G8 Information Centre (Toronto) 13 April 2010. Date of Access: 11 December 2011.

<http://www.g8.utoronto.ca/scholar/guebert-kirton-arms-2010.pdf>.

<sup>2083</sup> Resolution 1540, United Nations Security Council (New York) 28 April 2004. Date of Access: 16 December 2011. <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N04/328/43/PDF/N0432843.pdf?OpenElement>.

However, UNSCR 1540 also seeks to administer the prevention of proliferation to states, and requires that all states take similar actions to prevent general proliferation.<sup>2084</sup> UNSCR 1887, which is also directly mentioned in the afore-mentioned G8 declaration, refers to UNSCR 1540 and calls for its continued implementation.<sup>2085</sup>

### **Commitment Features:**

The commitment broadly states that member states must take internal steps to prevent themselves from being involved in the proliferation of weapons of mass destruction (WMD). It does not expressly mention methods by which this may be done.

However, elsewhere in the Declaration on Non-proliferation and Disarmament, the G8 notes that “We are determined to promote a more concrete approach with regard to the fight against proliferation through the effective implementation of...strong national measures.”<sup>2086</sup> Four of the mechanisms through which the G8 declaration suggested that this might be achieved have been chosen as representative of a few of the different types of action called for in UNSCR 1540.

The G8 has committed to “bolster the existing criminal provisions in national legislation... [which will also] target financing and financial services.”<sup>2087</sup> An example of the legal changes that are specifically mentioned in the declaration includes the designation of the proliferation of weapons of mass destruction, and of the materials connected with them, as a “specific offense.”<sup>2088</sup> Government actions to make legal changes affecting the ability of state or non-state actors involved in proliferation to attain financing (outside of FATF actions) may also count toward compliance for this section of the commitment.

In order to halt the financing of nuclear proliferation, member states agreed to support the work of the Financial Action Task Force (FATF). Proliferation financing refers to “the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.”<sup>2089</sup> Ensuring the implementation of FATF’s Forty Recommendations on Money Laundering and Nine Special

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<sup>2084</sup> Resolution 1540, United Nations Security Council (New York) 28 April 2004. Date of Access: 16 December 2011. <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N04/328/43/PDF/N0432843.pdf?OpenElement>.

<sup>2085</sup> Resolution 1887, United Nations Security Council (New York) 24 September 2009. Date of Access: 16 December 2011. <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/523/74/PDF/N0952374.pdf?OpenElement>.

<sup>2086</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2087</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2088</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2089</sup> Combating Proliferation Financing: A Status Report on Policy Development and Consultation, FATF (Paris), February 2010. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/32/40/45049911.pdf>.

Recommendations on Terrorist Financing were key commitments made by G8 member states at the 2007 Heiligendamm Summit.<sup>2090</sup>

In 2011, the G8 noted that “We support the process launched...that will strengthen the financial vigilance of G8 countries...”<sup>2091</sup> Support could take many forms, but since this sentence falls within a paragraph concerning the reinforcement of national systems, it will be defined as the taking of further steps to comply with the 40 Recommendations and 9 Special Recommendations on Terrorist financing.

Provisions that are directly related to proliferation have been chosen from amongst the forty-nine requirements. In 2010, the FATF recommended that Recommendations 14, 27, and 28 be applied to proliferation financing.<sup>2092</sup> Recommendation 14 proposes that governments create legislation that encourages financial institutions to report suspicious transactions to the financial intelligence unit (FIU) and it also suggests that financial institutions must be “Prohibited by law from disclosing the fact that a suspicious transaction report (STR) or related information is being reported to the FIU.”<sup>2093</sup> Recommendations 27 and 28 relate to how authorities carry out investigations, and require, among other things, that: separate investigatory teams be set up to deal with this issue, and they be given the power to appropriate records from financial institutions.<sup>2094</sup>

The FATF has also noted that the same action be taken regarding Recommendation 31,<sup>2095</sup> which calls for measures to strengthen the ways in which the FIU, policy makers, and domestic authorities, among others, cooperate on this issue.<sup>2096</sup> Further, the FATF has proposed that Recommendations 36 to 40 be applied to proliferation financing in order to prevent the creation of “safe havens.”<sup>2097</sup>

These suggestions require: (1) the provision of mutual legal assistance; (2) the “authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate property laundered, proceeds from money laundering or predicate offenses, instrumentalities used in or intended for use in the commission of these offences, or property of

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<sup>2090</sup> Counter-Terrorism: Financial Action Task Force, G8 Information Centre (Toronto) 23 June 2008. Date of Access: 16 December 2011. [http://www.g8.utoronto.ca/evaluations/2007compliance\\_final/07-final-21-fatf.pdf](http://www.g8.utoronto.ca/evaluations/2007compliance_final/07-final-21-fatf.pdf).

<sup>2091</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2092</sup> Combating Proliferation Financing: A Status Report on Policy Development and Consultation, FATF (Paris), February 2010. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/32/40/45049911.pdf>.

<sup>2093</sup> FATF: 40 Recommendations, FATF (Paris) October 2003. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>.

<sup>2094</sup> FATF: 40 Recommendations, FATF (Paris) October 2003. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>.

<sup>2095</sup> Combating Proliferation Financing: A Status Report on Policy Development and Consultation, FATF (Paris), February 2010. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/32/40/45049911.pdf>.

<sup>2096</sup> FATF: 40 Recommendations, FATF (Paris) October 2003. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>.

<sup>2097</sup> Combating Proliferation Financing: A Status Report on Policy Development and Consultation, FATF (Paris), February 2010. Date of Access: 20 December 2011. <http://www.fatf-gafi.org/dataoecd/32/40/45049911.pdf>.

corresponding value. There should also be arrangements for coordinating seizure and confiscation proceedings...;" (3) laws obliging countries to extradite people involved in money laundering.<sup>2098</sup>

Finally, there are two Special Recommendations that are particularly applicable. Special Recommendation 2 declares that "Each country should criminalise the financing of terrorism, terrorist acts and terrorist organizations."<sup>2099</sup> Given that the FATF defines a terrorist act as including actions contravening the United Nations (UN) Convention on the Physical Protection of Nuclear Material,<sup>2100</sup> it is particularly important that states make this change, if they have not yet done so. Special Recommendation 3 states that "Each country should implement measures to freeze without delay funds or other assets of terrorists, those who finance terrorism and terrorist organisations in accordance with the United Nations resolutions relating to the prevention and suppression of the financing of terrorist acts. Each country should also adopt and implement measures, including legislative ones, which would enable the competent authorities to seize and confiscate property that is the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations."<sup>2101</sup> Any movement to strengthen laws surrounding these issues would count towards compliance with the FATF.

Secondly, the G8 committed to strengthening the Proliferation Security Initiative (PSI) by increasing the number of participants and by "improving its effectiveness."<sup>2102</sup> The PSI is a process that attempts to improve transnational cooperation and the effectiveness of national systems in order to prevent the transport of weapons of mass destruction (WMDs), their means of delivery or other nuclear materials to or from non-state actors or states that should not have them.<sup>2103</sup> Endorsing states have agreed to share information on shipments that they believe to include materials for proliferation, and to "Review and work to strengthen their [a state's] relevant national legal authorities where necessary...."<sup>2104</sup>

The second element of the PSI is slightly more technical, and requires that G8 states strengthen their legal systems, and enforcement mechanisms to ensure that: (1) they are not directly or indirectly shipping or helping to ship WMDs or associated items; (2) they are preventing the shipment of these materials by investigating suspicious cargo in their ports and waters while upholding the UN Convention on the Law of the Sea; (3) they prohibit planes suspected of carrying these items from travelling through their airspace and/or require them to land and

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<sup>2098</sup> FATF: 40 Recommendations, FATF (Paris) October 2003. Date of Access: 20 December 2011.

<http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF>.

<sup>2099</sup> FATF IX Special Recommendations, FATF (Paris) October 2001. Date of Access: 20 December 2011.

<http://www.fatf-gafi.org/dataoecd/8/17/34849466.pdf>.

<sup>2100</sup> FATF IX Special Recommendations, FATF (Paris) October 2001. Date of Access: 20 December 2011.

<http://www.fatf-gafi.org/dataoecd/8/17/34849466.pdf>.

<sup>2101</sup> FATF IX Special Recommendations, FATF (Paris) October 2001. Date of Access: 20 December 2011.

<http://www.fatf-gafi.org/dataoecd/8/17/34849466.pdf>.

<sup>2102</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2103</sup> Proliferation Security Initiative: Statement of Interdiction Principles, United States Department of State (Washington D.C.) September 4, 2003. Date of Access: 20 December 2011.

<http://www.state.gov/t/isn/c27726.htm>.

<sup>2104</sup> Proliferation Security Initiative: Statement of Interdiction Principles, United States Department of State (Washington D.C.) September 4, 2003. Date of Access: 20 December 2011.

<http://www.state.gov/t/isn/c27726.htm>.

undergo a search and seizure process.<sup>2105</sup> An example of the bolstering of legal systems is explicitly mentioned in the G8 declaration, where member states agreed to take steps to “continue to strengthen... [their] national export control policies...”<sup>2106</sup> There are several international regimes monitoring export control policies on nuclear weapons, including the Missile Technology Control Regime, the Nuclear Suppliers Group, the Wassenaar Arrangement, and the Zangger Committee, which may be vehicles for the reinforcement of national export control policies.<sup>2107</sup> Given that the G8 declaration specifically mentions national export control policies, reinforcing them will count as compliance with this section.

The aforementioned examples of commitments fall within two areas: (1) strengthening of legal systems in regards to proliferation financing, and (2) the creation and/or improvement of national export control policies. Therefore, for the purposes of this report, full compliance with the commitment to increase national systems effectiveness will require member states to take action on both of the above requirements. However, partial compliance can be attained by meeting at least one of these goals.

**Scoring Guidelines:**

-1	Member does not enhance its legal system in regards to proliferation financing AND does not strengthen its national export control policies.
0	Member transforms its legal system in regards to proliferation financing OR strengthens its national export control policies.
+1	Member transforms its legal system in regards to proliferation financing AND strengthens its national export control policies.

*Team Leader: Sarah Beard*

**Canada: +1**

Canada has fully complied with its commitment to strengthen its national systems to further combat nuclear proliferation. It has transformed its legal system in regards to proliferation financing and has strengthened its national export control policies.

Canada has taken action outside of this commitment period to enact policies which adhere to the guidelines presented by the Financial Action Task Force (FATF). As required by FATF Special Recommendation 2, Canada’s Criminal Code currently stipulates that anyone who knowingly provides property or financial support for terrorist activity will be found guilty of an “indictable offense” and could face up to ten years in prison.<sup>2108</sup>

In December 2001, the Proceeds of Crime Act was amended and renamed the Proceeds of Crime and Terrorist Financing Act (PCMLTFA).<sup>2109</sup> This amendment strengthened the ability of the

<sup>2105</sup> Proliferation Security Initiative: Statement of Interdiction Principles, United States Department of State (Washington D.C.) September 4, 2003. Date of Access: 20 December 2011. <http://www.state.gov/t/isn/c27726.htm>.

<sup>2106</sup> Declaration on Non-Proliferation and Disarmament, G8 Information Centre (Toronto) 26-27 May 2011. Date of Access: December 3, 2011. <http://www.g8.utoronto.ca/summit/2011deauville/2011-nonprolif-en.html>.

<sup>2107</sup> Export Controls, United Nations Office for Disarmament Affairs (Geneva) 2011. Date of Access: 16 December 2011. [http://www.un.org/disarmament/WMD/Export\\_Controls/](http://www.un.org/disarmament/WMD/Export_Controls/).

<sup>2108</sup> Criminal Code (R.S.C., 1985, c. C-46): Financing of Terrorism, Department of Justice Canada (Ottawa) 28 December 2011. Date of Access: 1 January 2012. <http://laws-lois.justice.gc.ca/eng/acts/C-46/page-28.html>.

<sup>2109</sup> Canada’s Anti-Money Laundering and Anti-Terrorist Financing Initiative, Department of Justice Canada (Ottawa) 16 December 2009. Date of Access: 3 January 2012.

Financial Transactions and Reports Analysis Centre (FINTRAC) to effectively comply with the various recommendations outlined by the FATF.<sup>2110</sup> As required by Special Recommendation 14, Section 8 of the PCMLTFA states that “no person or entity can disclose that they have made a suspicious transaction report, or disclose the contents of a report....”<sup>2111</sup> In addition, Section 10 of the PCMLTFA states that no criminal proceedings will befall entities that submit such reports.<sup>2112</sup>

In October 2006, a bill was introduced into the Canadian Parliament to expand the scope of preventative measures outlined in the PCMLTFA, and it received Royal Assent in December of that year.<sup>2113</sup> On 23 June 2008, the PCMLTFA was also amended to “prescribe applications, notifications, clarifications and supplementary information for money services business registration.”<sup>2114</sup> However, given that the aforementioned changes did not occur within the time period that this report is assessing, they cannot count towards Canada’s compliance score.

In regards to Recommendations 36-40, Canada has already achieved compliance. Canadian compliance is exhibited by the Mutual Legal Assistance in Criminal Matters Act (MLACMA).

The MLACMA enables Canadian courts to issue orders authorizing the seizure of evidence at the request of states who are signatories to mutual legal assistance treaties.<sup>2115</sup> The act also enables Canada to “directly enforce foreign orders for the restraint, seizure and forfeiture of assets...” coming from such treaty partners.<sup>2116</sup> Lastly, as required by Special Recommendation 39, Canada’s Extradition Act stipulates that money laundering and terrorist financing are “extraditable offenses,” and that Canada can thus extradite perpetrators to states who request them and which have partnered with Canada by means of a multilateral agreement.<sup>2117</sup> Once again, however, these changes do not count towards scoring within the current compliance period.

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<http://justice.gc.ca/antiter/sheetfiche/moneyp1-argentp1-eng.asp#fo>.

<sup>2110</sup> Canada’s Anti-Money Laundering and Anti-Terrorist Financing Initiative, Department of Justice Canada (Ottawa) 16 December 2009. Date of Access: 3 January 2012.

<http://justice.gc.ca/antiter/sheetfiche/moneyp1-argentp1-eng.asp#fo>.

<sup>2111</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2112</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2113</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2114</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2115</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2116</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

<sup>2117</sup> Third Mutual Evaluation on Anti-Money Laundering and Combating the Financing of Terrorism: Canada, Financial Action Task Force (Paris) 29 February 2008. Date of Access: 24 January 2012.

<http://www.fatf-gafi.org/dataoecd/5/3/40323928.pdf>.

On 28 October 2011, the Financial Action Task Force (FATF) issued a statement expressing its concern for Iran's failure to address the risk of terrorist financing.<sup>2118</sup> It called on all members "to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism risks emanating from Iran."<sup>2119</sup> On 21 November 2011, the Canadian government issued new sanctions against Iran under the Special Economic Measures Act.<sup>2120</sup> The new sanctions prohibit financial transactions with Iran (including those with the central bank), and expanded the list of prohibited goods to include all items used in the petrochemical, oil, and gas industry, as well as items that could be used in Iran's nuclear program.<sup>2121</sup>

Canadian Minister of Foreign Affairs John Baird spoke about the changes, stating that "Canada will continue to work with the growing list of like-minded countries in a bid to limit the ability of Iran's rulers to further undermine peace, prosperity and stability."<sup>2122</sup> This strengthening of Canada's legislative protection against proliferation financing and of its export control legislation essentially complies with the FATF call, further ensuring that Iran does not have the resources necessary for WMD proliferation and the financing of terrorism.

On 31 January 2012, the Canadian government imposed additional sanctions on Iran under the current Special Economic Measures Act.<sup>2123</sup> These sanctions add five entities and three individuals to a list of supporters and associates of the Iranian regime, whose assets have been frozen.<sup>2124</sup> Canadian Foreign Affairs Minister John Baird stated that, "Canada will continue to work with the growing list of like-minded countries to limit Iran's ability to further undercut global peace, prosperity and stability."<sup>2125</sup> These measures supplement existing sanctions that prohibit financial transactions with Iran.

Canada has also taken action to strengthen its national export control policies. On 7 December 2011, Canadian Prime Minister Stephen Harper announced the establishment of the Action Plan

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<sup>2118</sup> FATF Public Statement, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 28 January 2012. [http://www.fatf-gafi.org/document/55/0,3746,en\\_32250379\\_32236992\\_48966519\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html).

<sup>2119</sup> FATF Public Statement, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 28 January 2012. [http://www.fatf-gafi.org/document/55/0,3746,en\\_32250379\\_32236992\\_48966519\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html).

<sup>2120</sup> Statement by Minister of Foreign Affairs John Baird at the Department of Foreign Affairs and International Trade Regarding New Sanctions against Iran, Foreign Affairs and International Trade Canada (Ottawa) 21 November 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2011/350.aspx?lang=eng&view=d>.

<sup>2121</sup> Statement by Minister of Foreign Affairs John Baird at the Department of Foreign Affairs and International Trade Regarding New Sanctions against Iran, Foreign Affairs and International Trade Canada (Ottawa) 21 November 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2011/350.aspx?lang=eng&view=d>.

<sup>2122</sup> Statement by Minister of Foreign Affairs John Baird at the Department of Foreign Affairs and International Trade Regarding New Sanctions against Iran, Foreign Affairs and International Trade Canada (Ottawa) 21 November 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2011/350.aspx?lang=eng&view=d>.

<sup>2123</sup> Canada Imposes Tougher Sanctions on Iran, Foreign Affairs and International Trade Canada (Ottawa) 31 January 2012. Date of Access: 15 April 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2012/01/31a.aspx?view=d>.

<sup>2124</sup> Canada Imposes Tougher Sanctions on Iran, Foreign Affairs and International Trade Canada (Ottawa) 31 January 2012. Date of Access: 15 April 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2012/01/31a.aspx?view=d>.

<sup>2125</sup> Canada Imposes Tougher Sanctions on Iran, Foreign Affairs and International Trade Canada (Ottawa) 31 January 2012. Date of Access: 15 April 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2012/01/31a.aspx?view=d>.

on Perimeter Security and Economic Competitiveness. This is a joint Canada-US agreement that involves the strengthening of both states' legal systems to maintain the flow of trade while upholding a high degree of security.<sup>2126</sup>

One of the main aims of this agreement is to create “a harmonized approach to screening inbound cargo arriving from offshore...”<sup>2127</sup> This will be achieved through the initiation of “a joint strategy to address risks associated with shipments arriving from offshore...” based on common methods for targeting, and assessing risk.<sup>2128</sup> Such a strategy could involve the harmonization of methods to detect WMDs and associated materials.

On 11 August 2011, the Canadian government imposed additional sanctions against North Korea under the current Special Economic Measures Act.<sup>2129</sup> These new sanctions have taken the form of a ban on exports, imports, and other types of financial exchange with the North Korean government.<sup>2130</sup> John Baird, Canada's Foreign Affairs Minister, stated that “Canada has not – and will not – hesitate to oppose the combative and provocative actions of the North Korean regime.”<sup>2131</sup> This measure ensures that Canada is not indirectly helping ship weapons of mass destruction (WMDs) or associated items to North Korea.

From 19-23 September 2011, the Canadian Nuclear Safety Commission (CNSC) participated in the International Atomic Energy Agency's (IAEA) 55<sup>th</sup> General Conference.<sup>2132</sup> At the conference CNSC President Michael Binder stated “Nuclear safety cannot stop at a country's borders. Cooperation and sharing of experience among nuclear regulators enhance nuclear safety...”<sup>2133</sup> Canada also signed memoranda of understanding (MoUs). Canada agreed to exchange nuclear regulatory information and training with the Nuclear Regulatory Commission of Jordan (JNRC) and the Atomic Energy Commission of Israel.<sup>2134</sup>

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<sup>2126</sup> Statement by Prime Minister Stephen Harper in Washington, Prime Minister of Canada (Ottawa) 7 December 2011. Date of Access: 5 January 2012. <http://pm.gc.ca/eng/media.asp?id=4529>.

<sup>2127</sup> Perimeter Security and Economic Competitiveness Action Plan, Government of Canada (Ottawa) 14 December 2011. Date of Access: 26 January 2012.

<http://www.actionplan.gc.ca/eng/feature.asp?mode=preview&pageId=337>.

<sup>2128</sup> Perimeter Security and Economic Competitiveness Action Plan, Government of Canada (Ottawa) 14 December 2011. Date of Access: 26 January 2012.

<http://www.actionplan.gc.ca/eng/feature.asp?mode=preview&pageId=337>.

<sup>2129</sup> Statement by Minister of Foreign Affairs John Baird at the Department of Foreign Affairs and International Trade Regarding New Sanctions against North Korea, Foreign Affairs and International Trade Canada (Ottawa) 15 August 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2011/231.aspx?lang=eng&view=d>.

<sup>2130</sup> North Korea: Overview of New Sanctions, Foreign Affairs and International Trade Canada (Ottawa) 1 November 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/sanctions/korea-coree.aspx?lang=eng&view=d>.

<sup>2131</sup> Statement by Minister of Foreign Affairs John Baird at the Department of Foreign Affairs and International Trade Regarding New Sanctions against North Korea, Foreign Affairs and International Trade Canada (Ottawa) 15 August 2011. Date of Access: 1 January 2012.

<http://www.international.gc.ca/media/aff/news-communiqués/2011/231.aspx?lang=eng&view=d>.

<sup>2132</sup> The CNSC Participates at the International Atomic Energy Agency's 55<sup>th</sup> General Conference, Canadian Nuclear Safety Commission (Ottawa) 28 September 2011. Date of Access: 5 January 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=391](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=391).

<sup>2133</sup> The CNSC Participates at the International Atomic Energy Agency's 55<sup>th</sup> General Conference, Canadian Nuclear Safety Commission (Ottawa) 28 September 2011. Date of Access: 5 January 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=391](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=391).

<sup>2134</sup> The CNSC Participates at the International Atomic Energy Agency's 55<sup>th</sup> General Conference, Canadian Nuclear Safety Commission (Ottawa) 28 September 2011. Date of Access: 5 January 2012.



The CNSC also finalized its agreement with the United States Nuclear Regulatory Commission and Department of Transportation, governing the sharing of information and best practices on the implementation of the Joint Canada-United States Guide for approval for Type B(U) and Fissile Material Transportation Packages.<sup>2135</sup> These agreements will assist Canada in further harmonizing its export control policies with those of the aforementioned states, and thus aid in halting the illegal flow of nuclear materials between them.

On 28 December 2011, the CNSC signed an Administrative Arrangement on the harmonization of regulatory controls on the import and export of radioactive sources with Chile.<sup>2136</sup> The agreement is aimed at ensuring that the import and export of Category 1 and 2 radioactive sources between the two states is conducted in a manner consistent with International Atomic Energy Agency requirements.<sup>2137</sup> Common regulatory standards could help ensure that both countries are not aiding in the proliferation of nuclear weapon materials.

On 9 March 2012, the CNSC signed an Administrative Arrangement on the harmonization of regulatory controls on the import and export of radioactive sources with Italy.<sup>2138</sup> The agreement is aimed at ensuring that the import and export of Category 1 and 2 radioactive sources between the two states is conducted in a manner consistent with IAEA requirements.<sup>2139</sup> Common regulatory standards could help ensure that both countries are not aiding in the proliferation of WMDs and associated materials.

On 27 March 2012, amendments to the Criminal Code directed at combating nuclear terrorism were introduced.<sup>2140</sup> These proposed amendments would strengthen the ability of the Canadian government to punish those who have been involved in acts of nuclear terrorism.<sup>2141</sup> These amendments would also permit Canada to ratify the 2005 Amendments to both the Convention on the Physical Protection of Nuclear Material and International Convention for the Suppression of

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[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=391](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=391).

<sup>2135</sup> The CNSC Participates at the International Atomic Energy Agency's 55<sup>th</sup> General Conference, Canadian Nuclear Safety Commission (Ottawa) 28 September 2011. Date of Access: 5 January 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=391](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=391).

<sup>2136</sup> Canada Signs Agreement on Import and Export of Radioactive Sources with Chile, Canadian Nuclear Safety Commission (Ottawa) 28 December 2011. Date of Access: 5 January 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=399](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=399).

<sup>2137</sup> Canada Signs Agreement on Import and Export of Radioactive Sources with Chile, Canadian Nuclear Safety Commission (Ottawa) 28 December 2011. Date of Access: 5 January 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=399](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=399).

<sup>2138</sup> Canada Signs Agreement with Italy on the Import and Export of Radioactive Sources, Canadian Nuclear Safety Commission (Ottawa) 9 March 2012. Date of Access: 20 April 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=411](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=411).

<sup>2139</sup> Canada Signs Agreement with Italy on the Import and Export of Radioactive Sources, Canadian Nuclear Safety Commission (Ottawa) 9 March 2012. Date of Access: 20 April 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=411](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=411).

<sup>2140</sup> Government Introduces Legislation to Combat Nuclear Terrorism, Department of Justice Canada (Ottawa) 27 March 2012. Date of Access: 19 April 2012. [http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc\\_32717.html](http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc_32717.html).

<sup>2141</sup> Government Introduces Legislation to Combat Nuclear Terrorism, Department of Justice Canada (Ottawa) 27 March 2012. Date of Access: 19 April 2012. [http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc\\_32717.html](http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc_32717.html).

Acts of Nuclear Terrorism.<sup>2142</sup> However, given that the amendments have not yet passed, they cannot count towards Canada's compliance score.

On 27 March 2012, Canadian Prime Minister Stephen Harper announced Canada's continued support for the IAEA's Nuclear Security Fund.<sup>2143</sup> The fund has supported various nuclear security projects worldwide, including the enhancement of security measures at vulnerable nuclear facilities, and the installation of radiation detection equipment at borders around the globe.<sup>2144</sup> Through such international initiatives, Canada is ensuring that nuclear proliferation is effectively combated. However, given how this is also a continuation of a previous commitment, this cannot count towards Canada's compliance score.

Thus, Canada has been awarded a score of +1 for making efforts to strengthen its national export control policies and bolster its national legislation against proliferation financing.

*Analyst: Khalid Mahdi*

### **France: +1**

France has fully complied with its commitment to bolster its national system to fight the proliferation of weapons of mass destruction (WMD) due to its compliance with Financial Action Task Force (FATF) recommendations and measures to strengthen its export control policies.

France has been a FATF member since 1990 and has been an observer on numerous subcommittees such as the Asia/Pacific Group against Money Laundering (APG), and the Eurasian Group on Combating Money Laundering (EAG).<sup>2145</sup>

Between 18 January and 31 March 2010, the FATF analyzed the anti-money laundering (AML) and counter-terrorism financing (CFT) measures in place in France.<sup>2146</sup> They found that "The French prudential supervision authorities have sufficient powers to carry out their inspections and exercise them conscientiously."<sup>2147</sup> Furthermore, the FATF noted that they have the authority to "...take sanctions in AML/CFT matters and...have...made effective...use of them."<sup>2148</sup>

In a mutual evaluation of France on 25 February 2011, the FATF concluded that France has constantly "...strengthened, refined, and expanded its system," and that its "...overall degree of

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<sup>2142</sup> Government Introduces Legislation to Combat Nuclear Terrorism, Department of Justice Canada (Ottawa) 27 March 2012. Date of Access: 19 April 2012. [http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc\\_32717.html](http://www.justice.gc.ca/eng/news-nouv/nr-cp/2012/doc_32717.html).

<sup>2143</sup> PM Announces Continued Support for Nuclear Security Collaboration, Office of the Prime Minister (Ottawa) 27 March 2012. Date of Access: 21 April 2012. <http://www.pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=4717>.

<sup>2144</sup> PM Announces Continued Support for Nuclear Security Collaboration, Office of the Prime Minister (Ottawa) 27 March 2012. Date of Access: 21 April 2012. <http://www.pm.gc.ca/eng/media.asp?category=1&featureId=6&pageId=26&id=4717>.

<sup>2145</sup> France Country Profile, Financial Action Task Force (Paris). Date of Access: 1 February 2012. [http://www.fatfgafi.org/document/43/0,3746,en\\_32250379\\_32236869\\_36097707\\_1\\_1\\_1\\_1,00.html](http://www.fatfgafi.org/document/43/0,3746,en_32250379_32236869_36097707_1_1_1_1,00.html).

<sup>2146</sup> Mutual Evaluation Executive Summary: Anti-Money Laundering and Combating the Financing of Terrorism, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 3 January 2012. <http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf>.

<sup>2147</sup> Key Findings: Mutual Evaluation of France, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 3 January 2012. [http://www.fatf-gafi.org/document/27/0,3746,en\\_32250379\\_32236963\\_47221531\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/27/0,3746,en_32250379_32236963_47221531_1_1_1_1,00.html).

<sup>2148</sup> Key Findings: Mutual Evaluation of France, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 3 January 2012. [http://www.fatf-gafi.org/document/27/0,3746,en\\_32250379\\_32236963\\_47221531\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/27/0,3746,en_32250379_32236963_47221531_1_1_1_1,00.html).

compliance with the FATF 40 + 9 Recommendations is very high, particularly in the financial sector and in the legal area.”<sup>2149</sup>

France also has a wide-ranging legal framework for the criminalization of terrorist financing.<sup>2150</sup> The offence for money laundering is “...being progressively appropriated into case law and by the Cour de cassation [sic].”<sup>2151</sup>

On 16 March 2011, the law to strengthen the legal tools available to fight against the proliferation of WMD and their vectors was promulgated in the Official Journal of the French Republic.<sup>2152</sup> The law criminalizes new acts like proliferation financing, and bolsters “procedural means to fight against proliferation through the creation of a specific heading in the Code of Criminal Procedure.”<sup>2153</sup> It also has created harsher sentences especially in relation to missile proliferation.<sup>2154</sup> Overall, the law has rejuvenated the legal framework and “strengthens the...deterrent nature of this instrument.”<sup>2155</sup> However, since this law was put in place outside of the commitment period, it cannot count towards France’s compliance score.

On 23 January 2012, the members of the EU agreed to impose a series of sanctions to prevent the financing of Iran’s nuclear program.<sup>2156</sup> The President of the French Republic, Nicolas Sarkozy, the Chancellor of Germany, Angela Merkel, and the Prime Minister of the United Kingdom, David Cameron, issued a joint statement declaring that “We will not accept Iran acquiring a nuclear weapon. Iran has so far had no regard for its international obligations and is already

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<sup>2149</sup> Outcomes of the FATF Plenary meeting, Paris 23-25 February 2011, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 28 April 2012.

[http://www.oecd.org/document/34/0,3746,en\\_32250379\\_32235720\\_47219554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/34/0,3746,en_32250379_32235720_47219554_1_1_1_1,00.html).

<sup>2150</sup> Key Findings: Mutual Evaluation of France, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 3 January 2012. [http://www.fatf-gafi.org/document/27/0,3746,en\\_32250379\\_32236963\\_47221531\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/27/0,3746,en_32250379_32236963_47221531_1_1_1_1,00.html).

<sup>2151</sup> Key Findings: Mutual Evaluation of France, Financial Action Task Force (Paris) 25 February 2011. Date of Access: 3 January 2012. [http://www.fatf-gafi.org/document/27/0,3746,en\\_32250379\\_32236963\\_47221531\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/27/0,3746,en_32250379_32236963_47221531_1_1_1_1,00.html).

<sup>2152</sup> Fight against the Proliferation of Weapons of Mass Destruction, France Diplomatie (Paris) 16 March 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/fight-against-the-proliferation-of>.

<sup>2153</sup> Fight against the Proliferation of Weapons of Mass Destruction, France Diplomatie (Paris) 16 March 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/fight-against-the-proliferation-of>.

<sup>2154</sup> Fight against the Proliferation of Weapons of Mass Destruction, France Diplomatie (Paris) 16 March 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/fight-against-the-proliferation-of>.

<sup>2155</sup> Fight against the Proliferation of Weapons of Mass Destruction, France Diplomatie (Paris) 16 March 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/fight-against-the-proliferation-of>.

<sup>2156</sup> EU Agrees an Unprecedented Package of Sanctions on Iran, Diplomatie (Paris) 23 January 2012. Date of Access: 23 January 2011. <http://www.diplomatie.gouv.fr/en/country-files/iran-301/events-2790/article/eu-agrees-an-unprecedented-package>.

exporting and threatening violence around its region.”<sup>2157</sup> This decision includes a freeze on all assets belonging to Iran’s central bank and a full ban on all imports of Iranian oil.<sup>2158</sup>

The Council of the EU has noted that “The prohibition concerns imports, purchase, and transport of such products as well as related finance and insurance.”<sup>2159</sup> For example, any new investments in Iranian petrochemical companies, including joint ventures with such corporations, are prohibited.<sup>2160</sup> These new sanctions on Iran are in compliance with the FATF’s third special recommendation and contribute to France’s compliance score.

On 20 April 2012, the ministers of the FATF renewed their mandate until 2020.<sup>2161</sup> The member states declared that “We...reaffirm our commitment to the objectives of the FATF in developing policy and promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and new and emerging threats to the integrity of the international financial system.”<sup>2162</sup>

On 21 April 2011, France adopted the United Nations Security Council Resolution 1977, which extends “the 1540 Committee’s mandate for 10 years.”<sup>2163</sup> France is the current coordinator of the 1540 Committee, and has led the way for the implementation of this resolution which “imposes binding obligations on all States to establish domestic controls to prevent the proliferation of nuclear, chemical and biological weapons...”<sup>2164</sup>

On 23 January 2012, France, as a member of the European Union (EU), strengthened its national export control policies by increasing the number of items on a list of sensitive dual-use goods that cannot be exported to Iran.<sup>2165</sup>

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<sup>2157</sup> EU Agrees an Unprecedented Package of Sanctions on Iran, *Diplomatie* (Paris) 23 January 2012. Date of Access: 23 January 2011. <http://www.diplomatie.gouv.fr/en/country-files/iran-301/events-2790/article/eu-agrees-an-unprecedented-package>.

<sup>2158</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2159</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2160</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of The European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2161</sup> Ministers Renew the Mandate of the Financial Action Task Force (2012-2020), *Financial Action Task Force* (Paris) 20 April 2012. Date of Access: 21 April 2012. [http://www.fatf-gafi.org/document/61/0,3746,en\\_32250379\\_32235720\\_50169149\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32235720_50169149_1_1_1_1,00.html).

<sup>2162</sup> Ministers Renew the Mandate of the Financial Action Task Force (2012-2020). *Financial Action Task Force* (Paris) 20 April 2012. Date of Access: 21 April 2012. [http://www.fatf-gafi.org/document/61/0,3746,en\\_32250379\\_32235720\\_50169149\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32235720_50169149_1_1_1_1,00.html).

<sup>2163</sup> Non-Proliferation: Adoption of Resolution 1977, *France Diplomatie* (Paris) 21 April 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/non-proliferation-adoption-of>.

<sup>2164</sup> Non-Proliferation: Adoption of Resolution 1977, *France Diplomatie* (Paris) 21 April 2011. Date of Access: 4 January 2012. <http://www.diplomatie.gouv.fr/en/france-priorities/disarmament-arms-control/arms-control-and-arms-trade/france-and-non-proliferation-of/article/non-proliferation-adoption-of>.

<sup>2165</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 3 May 2012. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

Council Decision 2012/35/CFSP amended Decision 2012/413/CFSP, and declared that “it is appropriate to prohibit or control the supply, sale or transfer to Iran of...items, materials, equipment, goods and technology, that could contribute to Iran’s enrichment-related, reprocessing or heavy water-related activities, to the development of nuclear weapon delivery systems or to the pursuit of activities related to other topics about which the IAEA has expressed concerns or identified as outstanding, or to other weapons of mass destruction programmes.

This prohibition should include dual-use goods and technology.”<sup>2166</sup> Among other measures, new sanctions to halt the sale of “chemical process equipment and materials required for the petrochemical industry...” were put in place because these goods “have much in common with those required for certain sensitive nuclear fuel cycle activities....”<sup>2167</sup>

On 23 March 2012, Council Regulation (EU) No.267/2012 was adopted.<sup>2168</sup> This decision implements Council Decision 2012/35/CFSP.<sup>2169</sup>

EU Regulation 1232/2011 has also tightened France’s national export control policies by introducing a new system of categorization for EU General Export Authorisations.<sup>2170</sup> As one of five new types of license, EU002 controls the export of “several Wassenaar Arrangement-controlled items” and ensures that they are only sold to a few approved states.<sup>2171</sup>

On 27 March 2012, while participating in the Seoul Nuclear Security Summit, certain countries including France issued a Statement of Activity and Cooperation to Counter Nuclear Smuggling.<sup>2172</sup> During the 2010 Nuclear Security Summit, these states had “agreed on a Communiqué and Work Plan that included actions aimed at thwarting the illicit trafficking of nuclear or other radioactive materials.”<sup>2173</sup> It was noted that France has taken “steps to build national capacities to counter nuclear smuggling” and has “passed new laws, regulations,

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<sup>2166</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 24 January 2012.

Date of Access: 3 May 2012. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>.

<sup>2167</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 24 January 2012.

Date of Access: 3 May 2012. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>.

<sup>2168</sup> Notice to Exporters – 2012/18, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 3 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2169</sup> Notice to Exporters – 2012/18, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 3 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2170</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 3 May 2012.

[http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2171</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 3 May 2012.

[http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2172</sup> Statement of Activity and Cooperation to Counter Nuclear Smuggling, National Nuclear Security Administration (Washington) 27 March 2012. Date of Access: 28 April 2012.

<http://nnsa.energy.gov/mediaroom/pressreleases/countersmug32712>.

<sup>2173</sup> Statement of Activity and Cooperation to Counter Nuclear Smuggling, National Nuclear Security Administration (Washington) 27 March 2012. Date of Access: 28 April 2012.

<http://nnsa.energy.gov/mediaroom/pressreleases/countersmug32712>.

guidance or policies to combat illicit trafficking.”<sup>2174</sup> While such actions cannot be counted towards France’s final compliance score due to a lack of specificity and an inability to insure that these actions took place within the compliance period, this recognition illustrates France’s commitment to actions that are similar to the main goal of the Proliferation Security Initiative (PSI), which is to prevent the transport of WMDs and their means of delivery to non-state actors as well as certain states.

Moreover, on 27 March 2012, France reaffirmed their commitment to the “security of civil transport of nuclear and radioactive materials...” through the Joint Statement on Transport Security.<sup>2175</sup> Among other things, this agreement commits France to participation in working group meetings that will focus on measures to strengthen transport security.<sup>2176</sup> As in the aforementioned paragraph, this commitment involves similar aims to those of the PSI, but it cannot count towards the French compliance score because no legislative action has been taken.

Thus, France has been awarded a score of +1 for improving its legal framework to prevent proliferation financing and taking measures to strengthen its national export controls.

*Analyst: Nisha Kumari*

### **Germany: +1**

Germany has fully complied with its commitment to strengthen its national systems to further combat nuclear proliferation.

Germany has taken action during the commitment period to enact policies which adhere to the guidelines presented by the Financial Action Task Force (FATF). Germany has been a member of the FATF since 1990 and is an observer of the Eurasian Group on Combating Money Laundering (EAG).<sup>2177</sup>

In a mutual evaluation of Germany on 19 February 2010, the FATF concluded that “Germany has introduced a number of measures...to strengthen its anti-money laundering and combating the financing of terrorism (AML/CFT) regime.”<sup>2178</sup> It produced a “large number of prosecutions for money laundering (ML) and...orders to confiscate assets.”<sup>2179</sup> However, the report concluded that “The AML/CFT framework is not fully in line with FATF recommendations,” and that there are

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<sup>2174</sup> Statement of Activity and Cooperation to Counter Nuclear Smuggling, National Nuclear Security Administration (Washington) 27 March 2012. Date of Access: 28 April 2012.

<http://nnsa.energy.gov/mediaroom/pressreleases/countersmug32712>.

<sup>2175</sup> Joint Statement on Transport Security, National Nuclear Security Administration (Washington) 27 March 2012. Date of Access: 28 April 2012.

<http://nnsa.energy.gov/mediaroom/pressreleases/jointstatementtransp32712>.

<sup>2176</sup> Joint Statement on Transport Security, National Nuclear Security Administration (Washington) 27 March 2012. Date of Access: 28 April 2012.

<http://nnsa.energy.gov/mediaroom/pressreleases/jointstatementtransp32712>.

<sup>2177</sup> General Information: Germany, Financial Action Task Force (Paris) 10 February 2006. Date of Access: 17 January 2012. <http://www.fatf-gafi.org/countries/d-i/germany/>.

<sup>2178</sup> Mutual Evaluation Report Executive Summary, Anti-Money Laundering and Combating the Financing of Terrorism Germany, Financial Action Task Force (Paris) 19 February 2010. Date of Access: 17 January 2012. <http://www.fatf-gafi.org/dataoecd/17/26/44650644.pdf>.

<sup>2179</sup> Mutual Evaluation Report Executive Summary, Anti-Money Laundering and Combating the Financing of Terrorism Germany, Financial Action Task Force (Paris) 19 February 2010. Date of Access: 17 January 2012. <http://www.fatf-gafi.org/dataoecd/17/26/44650644.pdf>.

shortcomings in the legal framework and regarding penalties for a failure to abide by AML and CFT requirements.<sup>2180</sup>

On 27 January 2011, the European Commission (EC) expressed concern with Germany's AML/CTF regulations and asked that it "fully comply with [European Union] EU laws regarding AML/CTF."<sup>2181</sup> The EC's concern comes from the fact that two German Bundesländer did not assign "competent supervisory authorities to all entities which are subject to AML/CFT requirements, and Germany has thus failed to prevent the misuse of the financial system for the purpose of money laundering and terrorist financing."<sup>2182</sup> The EC has stated that it may refer this matter to the EU Court of Justice if Germany fails to respond satisfactorily.<sup>2183</sup> It should be noted that the aforementioned background does not count towards Germany's compliance score as it was outside of the compliance period in consideration.

On 23 January 2012, the EU imposed sanctions on the Iranian central bank and a full ban on Iranian oil products to deter it from developing nuclear weapons. German Chancellor Angela Merkel issued a joint statement with France and the United Kingdom stating that "We have no quarrel with the Iranian people. But the Iranian leadership has failed to restore international confidence in the exclusively peaceful nature of its nuclear program. We will not accept Iran acquiring a nuclear weapon."<sup>2184</sup>

German Foreign Minister Guido Westerwelle also stated that "We have no choice but to pass tough new sanctions that address the financial sources of the nuclear program."<sup>2185</sup> These bans follow the FATF's public statement on 28 October 2011 which urged members to "advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions," and "to apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks...."<sup>2186</sup>

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<sup>2180</sup> Mutual Evaluation Report Executive Summary, Anti-Money Laundering and Combating the Financing of Terrorism Germany, Financial Action Task Force (Paris) 19 February 2010. Date of Access: 17 January 2012. <http://www.fatf-gafi.org/dataoecd/17/26/44650644.pdf>.

<sup>2181</sup> Internal Market: Commission Acts to Enforce Anti-Money Laundering Rules in Germany, Europa (Brussels) 27 January 2011. Date of Access: 27 January 2011. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/75&format=HTML&aged=1&language=EN&guiLanguage=fr>.

<sup>2182</sup> Internal Market: Commission Acts to Enforce Anti-Money Laundering Rules in Germany, Europa (Brussels) 27 January 2011. Date of Access: 17 January 2012. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/75&format=HTML&aged=1&language=EN&guiLanguage=fr>.

<sup>2183</sup> Internal Market: Commission Acts to Enforce Anti-Money Laundering Rules in Germany, Europa (Brussels) 27 January 2011. Date of Access: 17 January 2012. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/75&format=HTML&aged=1&language=EN&guiLanguage=fr>.

<sup>2184</sup> EU Slaps Iran with Sanctions, Embargo, The Sydney Morning Herald (Brussels) 25 January 2012. Date of Access: 25 January 2012. <http://www.smh.com.au/world/eu-slaps-iran-with-sanctions-embargo-20120124-1qfrw.html#ixzz1kP0CjA6U>.

<sup>2185</sup> New European Union Sanctions Target Iran Nuclear Program, CNN (United States) 23 January 2012. Date of Access: 23 January 2012. <http://www.cnn.com/2012/01/23/world/europe/iran-eu-oil/index.html>.

<sup>2186</sup> FATF Public Statement – 28 October 2011, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 28 January 2012. [http://www.fatfgafi.org/document/55/0,3746,en\\_32250379\\_32236992\\_48966519\\_1\\_1\\_1\\_1.00.html](http://www.fatfgafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1.00.html).

All EU member states including Germany supported the legislation, which concerns a freeze on all assets of Iran's central bank within EU member states, amongst other sanctions.<sup>2187</sup> It has also been extended to other entities thought to be involved in money laundering since all relations with Bank Tejarat were cut off on 24 January 2012 due to concerns about its ties with companies involved in nuclear proliferation.<sup>2188</sup> Bank Tejarat was designated as an entity involved in money laundering by the United States in 2010.<sup>2189</sup>

On 1 March 2012, the latest amendments to the Anti-money Laundering Code entered into force in an attempt to address a number of deficiencies in Germany's AML code that had been identified by the FATF. In the past, the AML Code covered general commerce only in regard to accepting cash.<sup>2190</sup> However, the new provisions of 2011 and 2012 strictly enforce the AML duties of dealers in goods, thereby fully integrating the commercial sector into the AML regime.<sup>2191</sup>

On 20 April 2012, the ministers of the FATF renewed their mandate until 2020.<sup>2192</sup> Member states including Germany declared that "We...reaffirm our commitment to the objectives of the FATF in developing policy and promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and new and emerging threats to the integrity of the international financial system."<sup>2193</sup>

In relation to national export policies, the German government maintains a responsible licensing policy.<sup>2194</sup> Furthermore, it strives to "harmonize strict export controls under the aegis of the European Union, and at the international level."<sup>2195</sup>

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<sup>2187</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2188</sup> EU Adds Iran's Bank Tejarat to Sanctions, Reuters (Brussels) 24 January 2012. Date of Access: 29 January 2012. <http://www.reuters.com/article/2012/01/24/eu-iran-bank-idUSL5E8CO0LJ20120124>.

<sup>2189</sup> European Union Said to Discuss Freezing the Assets of Iran's Bank Tejarat, Bloomberg (Washington) 19 January 2012. Date of Access: 29 January 2012. <http://www.bloomberg.com/news/2012-01-19/europe-said-to-consider-sanctions-on-iran-s-bank-tejarat.html>.

<sup>2190</sup> Money Laundering Prevention in the Non-Financial Sector, International Law Office (London) 10 April 2012. Date of Access: 18 April 2012.

<http://www.internationallawoffice.com/newsletters/detail.aspx?g=d222c66a-be55-4246-9fc6-5848bd092c3f>.

<sup>2191</sup> Money Laundering Prevention in the Non-Financial Sector, International Law Office (London) 10 April 2012. Date of Access: 18 April 2012.

<http://www.internationallawoffice.com/newsletters/detail.aspx?g=d222c66a-be55-4246-9fc6-5848bd092c3f>.

<sup>2192</sup> Ministers Renew the Mandate of the Financial Action Task Force (2012-2020), Financial Action Task Force (Paris) 20 April 2012. Date of Access: 21 April 2012. [http://www.fatf-gafi.org/document/61/0,3746,en\\_32250379\\_32235720\\_50169149\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32235720_50169149_1_1_1_1,00.html).

<sup>2193</sup> Ministers Renew the Mandate of the Financial Action Task Force (2012-2020), Financial Action Task Force (Paris) 20 April 2012. Date of Access: 21 April 2012. [http://www.fatf-gafi.org/document/61/0,3746,en\\_32250379\\_32235720\\_50169149\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32235720_50169149_1_1_1_1,00.html).

<sup>2194</sup> National Export Controls, Federal Foreign Office (Berlin) 7 July 2011. Date of Access: 28 January 2012. [http://www.auswaertiges-amt.de/sid\\_762EF24784CA8512F96C252A7A26A9FE/EN/Aussenpolitik/Aussenwirtschaftsfoerderung/Exportkontrollpol-national\\_node.html](http://www.auswaertiges-amt.de/sid_762EF24784CA8512F96C252A7A26A9FE/EN/Aussenpolitik/Aussenwirtschaftsfoerderung/Exportkontrollpol-national_node.html).

<sup>2195</sup> International Export Controls, Federal Foreign Office (Berlin) 7 July 2011. Date of Access: 28 January 2012. [http://www.auswaertiges-amt.de/EN/Aussenpolitik/Aussenwirtschaftsfoerderung/Exportkontrollpol-international\\_node.html](http://www.auswaertiges-amt.de/EN/Aussenpolitik/Aussenwirtschaftsfoerderung/Exportkontrollpol-international_node.html).



Germany, as a member of the Council of the European Union, also tightened export controls on sensitive dual-use goods on 23 January 2012.<sup>2196</sup> Council Decision 2012/35/CFSP announced that “it is appropriate to prohibit or control the supply, sale or transfer to Iran of additional items, materials, equipment, goods and technology, that could contribute to Iran’s enrichment-related, reprocessing or heavy water-related activities, to the development of nuclear weapon delivery systems or to the pursuit of activities related to other topics about which the IAEA has expressed concerns...This prohibition should include dual-use goods and technology.”<sup>2197</sup> As a part of this policy, trade in equipment and materials that are used in the petrochemical industry was made illegal because such products “have much in common with those required for certain sensitive nuclear fuel cycle activities....”<sup>2198</sup>

These prohibitions were implemented through Council Regulation (EU) No. 267/2012, which was adopted on 23 March 2012.<sup>2199</sup>

On 16 November 2011, Regulation (EU) 1232/2011 amended European Council regulations by “setting up a Community regime for the control of exports, transfers, brokering and the transit of dual-use items and additional general authorizations....”<sup>2200</sup> One of the newly created categories of EU General Export Authorisations deals with Wassenaar Arrangement-controlled items.<sup>2201</sup>

Thus, Germany has been awarded a score of +1 for strengthening and maintaining its stringent export control policies and its improvement of its legal framework to prevent terrorist and proliferation financing.

*Analyst: Nisha Kumari*

#### **Italy: +1**

Italy has fully complied with the commitment to increase national system effectiveness to combat proliferation.

Italy has taken steps to strengthen its anti-money laundering procedures and to facilitate the reporting of suspicious transactions. On 16 May 2011, the Bank of Italy put in place a new system for the collection and management of money laundering and terrorist financing data,

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<sup>2196</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2197</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012. [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF).

<sup>2198</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012. [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF).

<sup>2199</sup> Notice to Exporters – 2012/18, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 2 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-notice-to-exporters-032712.pdf>.

<sup>2200</sup> Newsletter Export Control, Federal Office of Economics and Export Control BAFA (Frankfurt) January 2011. Date of Access: 28 January 2012.

[http://www.ausfuhrkontrolle.info/bafa/en/export\\_control/nl\\_export\\_control/newsletter\\_export\\_control\\_2012\\_01.pdf](http://www.ausfuhrkontrolle.info/bafa/en/export_control/nl_export_control/newsletter_export_control_2012_01.pdf).

<sup>2201</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 2 May 2012.

[http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

requiring that reports be submitted electronically.<sup>2202</sup> While this change illustrates Italy's past commitment to strengthening its legal system regarding proliferation financing, it cannot count towards Italy's score because it falls outside of the current compliance period.

On 1 December 2011, the Council of the European Union outlined 180 entities and individuals to be subject to restrictive measures as a result of their involvement in Iran's nuclear activities, and committed to adopting "additional measures...aimed at severely affecting the Iranian financial system..." at the next Foreign Affairs Council.<sup>2203</sup> These new financial sanctions on Iran were adopted by the Council on 23 January 2012 with the support of Italy.<sup>2204</sup> This decision froze the assets of the Iranian central bank. The new sanctions additionally prohibit "Trade in gold, precious metals and diamonds with Iranian public bodies and the central bank...."<sup>2205</sup>

The aforementioned actions comply with the FATF Public Statement released on 28 October 2011, which calls countries to take effective countermeasures to "protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran."<sup>2206</sup> These measures indicate that Italy has strengthened its legal system and export control policies regarding proliferation financing.

On 13 August 2011, the Italian Parliament introduced new anti-money laundering legislation with Legislative Decree No. 138, which lowered the threshold for cash transactions from EUR5 thousand to EUR25 hundred.<sup>2207</sup> Law 148/2011 ratified Legislative Decree No. 138 on 14 September 2011.<sup>2208</sup> This limit was lowered further to EUR1 thousand with Legislative Decree No. 201 on 6 December 2011.<sup>2209</sup> This step prevents the transfer of large untraceable sums of money. Penalties for payments in excess of EUR25 hundred range from 1 to 40 per cent of the transaction amount.<sup>2210</sup>

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<sup>2202</sup> Revisione del Sistema di Raccolta e Gestione delle Segnalazioni di Operazioni Sospette, Bank of Italy (Rome) 24 October 2011. Date of Access: 6 January 2012. <http://www.bancaditalia.it/UIF/Com-pubblico/Comunicato-241011.pdf>.

<sup>2203</sup> Council Conclusions on Iran, Council of the European Union (Brussels) 1 December 2011. Date of Access: 24 January 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/126493.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126493.pdf).

<sup>2204</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2205</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2206</sup> FATF Public Statement, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 27 January 2012. <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/fatfpublicstatement-28october2011.html>.

<sup>2207</sup> Financial Intelligence Unit: Annual Report 2010, Bank of Italy (Rome) May 2011. Date of Access: 21 April 2012. [www.bancaditalia.it/homepage/notizie/uif/annual-report-2010.pdf](http://www.bancaditalia.it/homepage/notizie/uif/annual-report-2010.pdf).

<sup>2208</sup> Italy – VAT Rate Increase to 21% is Effective 17 September; Other Changes Are Also Enacted, KPMG (Washington) 16 September 2011. Date of Access: 21 April 2012.

<http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxnewsflash/pages/italy-vat-rate-increase.aspx>.

<sup>2209</sup> Decreto Legge 6 Dicembre 2011, n. 201, The President of the Republic (Rome) 6 December 2011. Date of Access: 21 April 2012. <http://1.flcgil.stgy.it/files/pdf/20111208/decreto-legge-201-del-6-dicembre-2011-disposizioni-urgenti-per-la-crescita-l-equita-e-il-consolidamento-dei-conti-pubblici.pdf>.

<sup>2210</sup> Il Ministero dell'Economia Chiarisce che i Limiti All'uso del Contante non si Applicano alle Operazioni Bancarie, Assocoral (Rome) Date of Access: 21 April 2012.

<http://www.assocoral.it/legginews.asp?id=39>.

On 12 March 2012,<sup>2211</sup> Italy's Financial Intelligence Unit (FIU) revised the process for submission of anti-money laundering reports,<sup>2212</sup> implementing new methods of aggregating and statistically analyzing data.<sup>2213</sup>

On 1 July 2011, Italy assumed the presidency of the Financial Action Task Force (FATF).<sup>2214</sup> During its presidency, Italy has tasked Giancarlo Del Bufalo with "revising the international anti money laundering and terrorist financing standards in view of the forthcoming fourth 'Round of Mutual Evaluations' of FATF members and non-members."<sup>2215</sup> Some of these new measures will be targeted at combating proliferation. Holding the presidency of the FATF, however, does not count towards Italy's score, as it does not relate directly to the commitment to strengthen national systems.

Italy strengthened its national export control policies by passing Legislative Decree No. 200 on 27 October 2011.<sup>2216</sup>

This legislation outlines the penalties for violation of Regulation (EC) No. 689/2008 of the European Parliament, passed on 17 June 2008.<sup>2217</sup> Regulation (EC) No. 689/2008 addresses the export and import of dangerous chemical substances including radioactive materials, and mandates "the exchange of information concerning the characteristics of such chemicals, by providing for a decision-making process within the Community on their import and export...."<sup>2218</sup> Italy's recent legislation delineates specific action to be taken in the case of export or import of dangerous chemicals and dual-use goods in accordance with Regulation (EC) No. 689/2008, listing financial penalties.<sup>2219</sup>

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<sup>2211</sup> Revisione del Sistema di Invio delle Segnalazioni Antiriciclaggio Aggregate, Bank of Italy (Rome) 23 December 2011. Date of Access: 6 January 2012. [http://www.bancaditalia.it/UIF/Com-pubblico/revisione-sistema-invio-segnalazioni:internal&action=\\_setlanguage.action?LANGUAGE=it](http://www.bancaditalia.it/UIF/Com-pubblico/revisione-sistema-invio-segnalazioni:internal&action=_setlanguage.action?LANGUAGE=it).

<sup>2212</sup> Disposizioni per l'Invio dei Dati Aggregati, Bank of Italy (Rome) 22 December 2011. Date of Access: 6 January 2012. [www.bancaditalia.it/UIF/prev-ricic/sara/norm-sara/norm-circ/provvedimentoSARA.pdf](http://www.bancaditalia.it/UIF/prev-ricic/sara/norm-sara/norm-circ/provvedimentoSARA.pdf).

<sup>2213</sup> Avviso di Invio dei Controlli Statistici a Fini Antiriciclaggio, Bank of Italy (Rome) 22 December 2011. Date of Access: 6 January 2012. [http://www.bancaditalia.it/homepage/notizie/uif/avviso\\_internet.pdf](http://www.bancaditalia.it/homepage/notizie/uif/avviso_internet.pdf).

<sup>2214</sup> Combating Money Laundering and Terrorist Financing: Presidency of GAFI-FATF for 2011-2012 Goes to Italy, Italian Ministry of Economy and Finance (Rome) 24 June 2011. Date of Access: 6 January 2012. <http://www.tesoro.it/en/ufficio-stampa/comunicati/?idc=27600>.

<sup>2215</sup> Combating Money Laundering and Terrorist Financing: Presidency of GAFI-FATF for 2011-2012 Goes to Italy, Italian Ministry of Economy and Finance (Rome) 24 June 2011. Date of Access: 6 January 2012. <http://www.tesoro.it/en/ufficio-stampa/comunicati/?idc=27600>.

<sup>2216</sup> Decreto Legislativo 27 Ottobre 2011, n. 200 – Disciplina Sanzionatoria per la Violazione delle Disposizioni del Regolamento (CE) n. 689/2008 sull'Esportazione ed Importazione di Sostanze Chimiche Pericolose, Italian Ministry of Economic Development (Rome) 27 October 2011. Date of Access: 6 January 2012. [http://www.mincomes.it/dualuse/dualuse\\_norme/Dlgs200\\_2011.pdf](http://www.mincomes.it/dualuse/dualuse_norme/Dlgs200_2011.pdf).

<sup>2217</sup> Decreto Legislativo 27 Ottobre 2011, n. 200 – Disciplina Sanzionatoria per la Violazione delle Disposizioni del Regolamento (CE) n. 689/2008 sull'Esportazione ed Importazione di Sostanze Chimiche Pericolose, Italian Ministry of Economic Development (Rome) 27 October 2011. Date of Access: 6 January 2012. [http://www.mincomes.it/dualuse/dualuse\\_norme/Dlgs200\\_2011.pdf](http://www.mincomes.it/dualuse/dualuse_norme/Dlgs200_2011.pdf).

<sup>2218</sup> Regulation (EC) No 689/2008 of the European Parliament and of the Council of 17 June 2008, European Union (Strasbourg) 17 June 2008. Date of Access: 6 January 2012. [http://edexim.jrc.ec.europa.eu/edexim\\_legaldocs.php?type=1](http://edexim.jrc.ec.europa.eu/edexim_legaldocs.php?type=1).

<sup>2219</sup> Decreto Legislativo 27 Ottobre 2011, n. 200 – Disciplina Sanzionatoria per la Violazione delle Disposizioni del Regolamento (CE) n. 689/2008 sull'Esportazione ed Importazione di Sostanze Chimiche Pericolose, Italian Ministry of Economic Development (Rome) 27 October 2011. Date of Access: 6 January 2012. [http://www.mincomes.it/dualuse/dualuse\\_norme/Dlgs200\\_2011.pdf](http://www.mincomes.it/dualuse/dualuse_norme/Dlgs200_2011.pdf).

On 23 January 2011, the trade of a number of sensitive dual-use goods to Iran was halted.<sup>2220</sup> On 23 March 2012, Council Regulation (EU) No. 267/2012 implemented these changes.<sup>2221</sup>

On 16 November 2011, the European Union strengthened the national export control policies of its member states through Regulation (EU) 1232/2011.<sup>2222</sup> This created a number of new categories of EU General Export Authorisations, including EU002, which controls the “export of certain dual-use items...” included on the lists of the Wassenaar Arrangement.<sup>2223</sup>

On 9 March 2012, the Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) signed an agreement with the Canadian Nuclear Safety Commission (CNSC), which “[harmonizes] regulatory controls on the import and export of radioactive sources.”<sup>2224</sup> This measure ensures that the trade of Category 1 and 2 radioactive materials is in line with the guidelines of the International Atomic Energy Agency (IAEA).

Thus, Italy has been provided a score of +1 for reforming its legal system in regards to proliferation financing, and for strengthening its national export control policies.

*Analyst: Nessa Kenny*

#### **Japan: +1**

Japan has fully complied with its commitment to protect its national systems against proliferation by strengthening its laws in response to a Financial Action Task Force (FATF) call and by bolstering its national export control system.

Japan became a member of the Financial Action Task Force (FATF) in 1990.<sup>2225</sup> The FATF was developed in order to effectively bolster member states’ national systems to fight money laundering and terrorist financing.<sup>2226</sup> In 2008, the FATF also ventured into combating proliferation financing with the publication of a report on measures that would enable countries to uphold the provisions of UNSCR 1540.<sup>2227</sup> Japan, along with all G8 members except for Russia,

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<sup>2220</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 23 January 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2221</sup> Notice to Exporters – 2012/18, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 2 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-notice-to-exporters-032712.pdf>.

<sup>2222</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2223</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 2 May 2012.

[http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2224</sup> Canada Signs Agreement with Italy on the Import and Export of Radioactive Sources, Canadian Nuclear Safety Commission (Ottawa) 9 March 2012. Date of Access: 1 March 2012.

[http://nuclearsafety.gc.ca/eng/mediacentre/releases/news\\_release.cfm?news\\_release\\_id=411](http://nuclearsafety.gc.ca/eng/mediacentre/releases/news_release.cfm?news_release_id=411).

<sup>2225</sup> General Information Japan, Financial Action Task Force (Paris). Date of Access: 29 January 2012.

[http://www.fatf-gafi.org/document/40/0,3746,en\\_32250379\\_32236869\\_36099176\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/40/0,3746,en_32250379_32236869_36099176_1_1_1_1,00.html).

<sup>2226</sup> About the FATF, Financial Action Task Force (Paris). Date of Access: 29 January 2012.

[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236836\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1,00.html).

<sup>2227</sup> International Task Force Takes Aim at Illicit Proliferation Financing, James Martin Center for Nonproliferation Studies (Monterey) 26 October 2011. Date of Access: 29 January 2012.

[http://cns.miis.edu/wmdjunction/110912\\_funding\\_task\\_force.htm](http://cns.miis.edu/wmdjunction/110912_funding_task_force.htm).

is currently a member of the Proliferation Finance Project Team that is “tasked with developing policy options for the FATF to consider in combating proliferation financing.”<sup>2228</sup>

On 17 November 2008, a Mutual Evaluation report on Japan was published in order to gauge its compliance with the FATF Forty Recommendations and Special Recommendations on Terrorist Financing. Observations found that Japan had a fairly effective system, but at the time the FATF and the Asia-Pacific Group on Money Laundering suggested that Japan needed to take further measures in relation to terrorist financing.<sup>2229</sup> While keeping this background in mind, Japan has made progress regarding observance of FATF guidelines during this compliance period.

On 9 December 2011, the Government of Japan instituted measures to freeze the assets of additional individuals and companies associated with Iranian nuclear proliferation, and to prohibit “correspondent banking relationships with 3 Iranian banks newly designated by the Notice of the Foreign Ministry...as those which could contribute to Iran’s nuclear activities...”<sup>2230</sup> The Japanese Ministry of Finance made reference to the FATF’s 28 October 2011 call on all member states to protect themselves against Iranian involvement in terrorist financing and money laundering.<sup>2231</sup> In particular, the FATF asked that states “protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices...”<sup>2232</sup>

On 5 December 2011, steps were taken to increase oversight of financial institutions and companies by guaranteeing that the measures set out by Japan’s Act on the Prevention of Criminal Proceeds were followed.<sup>2233</sup> However, the termination of the aforementioned correspondent banking relationships has involved the implementation of more stringent rules to comply with the FATF’s recommendation, and thus it has strengthened Japan’s defence against proliferation financing.

Japan has also taken steps to strengthen its national export control policies. On 1 September 2011, the Japanese Ministry of Economy, Trade, and Industry (METI) added a number of Iranian and North Korean companies to its End User List.<sup>2234</sup> This export control regime is part of the catch-all control, which is “a system that obliges exporters to submit an application for an export license for goods that may be used for the development of weapons of mass destruction even if

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<sup>2228</sup> International Task Force Takes Aim at Illicit Proliferation Financing, James Martin Center for Nonproliferation Studies (Monterey) 26 October 2011. Date of Access: 29 January 2012.

[http://cns.miis.edu/wmdjunction/110912\\_funding\\_task\\_force.htm](http://cns.miis.edu/wmdjunction/110912_funding_task_force.htm).

<sup>2229</sup> Mutual Evaluation of Japan, Financial Action Task Force (Paris) 17 November 2008. Date of Access: 30 January 2012. [http://www.fatf-](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32236963_41684733_1_1_1_1,00.html)

[gafi.org/document/61/0,3746,en\\_32250379\\_32236963\\_41684733\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32236963_41684733_1_1_1_1,00.html).

<sup>2230</sup> Additional Designations of Persons Subject to the Supplementary Measures to the UNSCR against Iran, Ministry of Finance Japan (Tokyo) 9 December 2011. Date of Access: 29 January 2012.

[http://www.mof.go.jp/english/international\\_policy/others/gaitamehou-shisantouketsu\\_english\\_231209.htm](http://www.mof.go.jp/english/international_policy/others/gaitamehou-shisantouketsu_english_231209.htm).

<sup>2231</sup> Additional Designations of Persons Subject to the Supplementary Measures to the UNSCR against Iran, Ministry of Finance Japan (Tokyo) 9 December 2011. Date of Access: 29 January 2012.

[http://www.mof.go.jp/english/international\\_policy/others/gaitamehou-shisantouketsu\\_english\\_231209.htm](http://www.mof.go.jp/english/international_policy/others/gaitamehou-shisantouketsu_english_231209.htm).

<sup>2232</sup> FATF Public Statement – 28 October 2011, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 29 January 2012. [http://www.fatf-](http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html)

[gafi.org/document/55/0,3746,en\\_32250379\\_32236992\\_48966519\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html).

<sup>2233</sup> Additional Designations of Persons Subject to the Supplementary Measures to the UNSCR against Iran, Ministry of Finance Japan (Tokyo) 9 December 2011. Date of Access: 29 January 2012.

[http://www.mof.go.jp/english/international\\_policy/others/gaitamehou-shisantouketsu\\_english\\_231209.htm](http://www.mof.go.jp/english/international_policy/others/gaitamehou-shisantouketsu_english_231209.htm).

<sup>2234</sup> Revision of End User List, Japanese Ministry of Economy, Trade and Industry (Tokyo) 1 September 2011. Date of Access: 30 January 2012. [http://www.meti.go.jp/english/press/2011/0901\\_01.html](http://www.meti.go.jp/english/press/2011/0901_01.html).

they are not subject to export restrictions under international agreements.”<sup>2235</sup> These additions are evidence of Japanese reinforcement of its export control regime.

On 9 December 2011, the METI again revised these End User Controls by adding a further twenty Iranian companies or individuals due to their involvement in “the development of Iranian missiles and weapons of mass destruction.”<sup>2236</sup>

On 13 March 2012, Japan further reinforced its stance on Iranian nuclear activities by halting its correspondent banking relationship with Bank Tejarat.<sup>2237</sup>

On 26 December 2011, the Japanese government announced that it had implemented a change in its export control system to further harmonize the legislation with that of other members of the Wassenaar Arrangement.<sup>2238</sup> The METI announced that the definition of “use,” which has traditionally been “defined as ‘Operation, installation (including on-site installation), maintenance (inspection), repair, overhaul, refurbishing etc. which are stages other than development and manufacturing’” would be narrowed by removing the phrase “stages other than development and manufacturing.”<sup>2239</sup> Given that this change has been adopted in order to bring the Japanese export control system in line with that of other member states of the Wassenaar Arrangement, it does count as a move to strengthen its national export control regime.

On 20 December 2011, the Governments of Japan and South Korea agreed to a nuclear cooperation agreement meant to “legally ensure the non-proliferation and peaceful uses of nuclear material and nuclear-related equipment and technology transferred between Japan and the Republic of Korea.”<sup>2240</sup> On 21 January 2012, the two countries began to work together on such issues as “Control on the transfer of nuclear material etc. beyond the jurisdiction of the Parties (third country transfer)...”<sup>2241</sup> This accord is evidence of a bilateral commitment to safeguard nuclear materials by strengthening national systems and cooperation.

On 20 January 2012, a nuclear cooperation agreement between the Governments of Japan and Vietnam to “legally ensure the non-proliferation and peaceful uses of nuclear material and nuclear-related equipment and technology transferred...” between the two countries entered into

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<sup>2235</sup> Revision of End User List, Japanese Ministry of Economy, Trade and Industry (Tokyo) 1 September 2011. Date of Access: 30 January 2012. [http://www.meti.go.jp/english/press/2011/0901\\_01.html](http://www.meti.go.jp/english/press/2011/0901_01.html).

<sup>2236</sup> Review of End User List, Japanese Ministry of Economy, Trade and Industry (Tokyo) 9 December 2011. Date of Access: 30 January 2012. [http://www.meti.go.jp/english/press/2011/1209\\_01.html](http://www.meti.go.jp/english/press/2011/1209_01.html).

<sup>2237</sup> Addition of an Entity Subject to Accompanying Measures Implemented Pursuant to the UN Resolution against Iran, Ministry of Economy, Trade, and Industry (Tokyo) 13 March 2012. Date of Access: 29 April 2012. [http://www.meti.go.jp/english/press/2012/0313\\_01.html](http://www.meti.go.jp/english/press/2012/0313_01.html).

<sup>2238</sup> Japan Will Change Definition of “Use”, Global Trade Compliance (Tokyo) 26 December 2011. Date of Access: 30 January 2012. <http://japantradecompliance.blogspot.com/2011/11/japan-will-change-definition-of-use.html>.

<sup>2239</sup> Japan Will Change Definition of “Use”, Global Trade Compliance (Tokyo) 26 December 2011. Date of Access: 30 January 2012. <http://japantradecompliance.blogspot.com/2011/11/japan-will-change-definition-of-use.html>.

<sup>2240</sup> Exchange of Diplomatic Notes for the Entry into Force of the Japan-Republic of Korea Nuclear Cooperation Agreement, Ministry of Foreign Affairs of Japan (Tokyo) 22 December 2011. Date of Access: 30 January 2012. [http://www.mofa.go.jp/announce/announce/2011/12/1222\\_01.html](http://www.mofa.go.jp/announce/announce/2011/12/1222_01.html).

<sup>2241</sup> Exchange of Diplomatic Notes for the Entry into Force of the Japan-Republic of Korea Nuclear Cooperation Agreement, Ministry of Foreign Affairs of Japan (Tokyo) 22 December 2011. Date of Access: 30 January 2012. [http://www.mofa.go.jp/announce/announce/2011/12/1222\\_01.html](http://www.mofa.go.jp/announce/announce/2011/12/1222_01.html).

force.<sup>2242</sup> This agreement is evidence of Japan's commitment to non-proliferation and ensuring that the nuclear materials it exports cannot be diverted for the purposes of proliferation.

On 3 April 2012, representatives of the Japanese and Russian governments informed each other that the Japanese-Russia Nuclear Cooperation Agreement would be coming into force on 3 May 2012.<sup>2243</sup> This agreement, which was signed on 12 May 2008, is meant to ensure that "Japan and the Russian Federation will be able to legally ensure the non-proliferation and peaceful uses of nuclear material and nuclear-related equipment and technology transferred between both countries."<sup>2244</sup> However, since both the agreements with Vietnam and Russia were signed outside of the previous compliance period, and are thus continuations of previous commitments, they cannot count towards Japan's final compliance score.

On 23 and 24 June 2011, the Japanese government participated in the 21<sup>st</sup> Plenary Meeting of the Nuclear Suppliers Group (NSG) in Noordwijk.<sup>2245</sup> The NSG is composed of nuclear supplier states that are committed to preventing nuclear proliferation, and which, to that end, adopt guidelines on the addition of export controls on "dual-use" and nuclear materials.<sup>2246</sup> At the conference, participating states "agreed to strengthen...guidelines on the transfer of sensitive enrichment and reprocessing technologies."<sup>2247</sup> The NSG also "emphasized the importance of keeping...lists up to date with technological developments and took stock of the work done for a fundamental review of the trigger and dual use lists...."<sup>2248</sup> However, since the NSG is not a legally binding regime,<sup>2249</sup> its agreements cannot count towards Japan's final compliance score unless Japan complies with them.

On 13 and 14 December 2011, Japan participated in the 17<sup>th</sup> Plenary Meeting of the Wassenaar Arrangement in Vienna.<sup>2250</sup> In a public statement, the members of the Wassenaar Arrangement

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<sup>2242</sup> Notification for the Entry into Force of the Japan-Viet Nam Nuclear Cooperation Agreement, Ministry of Foreign Affairs of Japan (Tokyo) 20 January 2012. Date of Access: 30 January 2012.

[http://www.mofa.go.jp/announce/announce/2011/12/1222\\_02.html](http://www.mofa.go.jp/announce/announce/2011/12/1222_02.html).

<sup>2243</sup> Notification for the Entry into Force of the Japan-Russia Nuclear Cooperation Agreement, Ministry of Foreign Affairs of Japan (Tokyo) 3 April 2012. Date of Access: 27 April 2012.

[http://www.mofa.go.jp/announce/announce/2012/4/0403\\_01.html](http://www.mofa.go.jp/announce/announce/2012/4/0403_01.html).

<sup>2244</sup> Notification for the Entry into Force of the Japan-Russia Nuclear Cooperation Agreement, Ministry of Foreign Affairs of Japan (Tokyo) 3 April 2012. Date of Access: 27 April 2012.

[http://www.mofa.go.jp/announce/announce/2012/4/0403\\_01.html](http://www.mofa.go.jp/announce/announce/2012/4/0403_01.html).

<sup>2245</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 30 January 2012.

<http://www.nuclearsuppliersgroup.org/Leng/PRESS/Public%20statement%202011%20NSG%20v7.pdf>.

<sup>2246</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 30 January 2012.

<http://www.nuclearsuppliersgroup.org/Leng/PRESS/Public%20statement%202011%20NSG%20v7.pdf>.

<sup>2247</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 30 January 2012.

<http://www.nuclearsuppliersgroup.org/Leng/PRESS/Public%20statement%202011%20NSG%20v7.pdf>.

<sup>2248</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 30 January 2012.

<http://www.nuclearsuppliersgroup.org/Leng/PRESS/Public%20statement%202011%20NSG%20v7.pdf>.

<sup>2249</sup> The Nuclear Suppliers Group (NSG) at a Glance, Arms Control Association (Washington). Date of Access: 1 May 2012. <http://www.armscontrol.org/factsheets/NSG>.

<sup>2250</sup> Public Statement 2011 Plenary Meeting of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, Wassenaar Arrangement (Vienna) 14 December 2011. Date of Access: 30 January 2012.

<http://www.wassenaar.org/publicdocuments/2011/WA%20Plenary%20Public%20Statement%202011.pdf>.

thanked Mr. Toshiki Wani “for his leadership of the Experts Group list-review process...” in 2011, and noted that Japan has consented to continue maintain this role in 2012.<sup>2251</sup> Member states “adopted a document encouraging exporters, including companies and academic institutions, located in WA Participating States to develop and implement export-related Internal Compliance Programs (ICPs).”<sup>2252</sup>

In particular, the Best Practices Guidelines on Internal Compliance Programmes for Dual-Use Goods and Technologies advised that participants “consider...measures and stimuli that would encourage exporters to introduce ICPs (e.g. taking the development and implementation of an ICP into account when considering applications for licences and revoking existing licences, or making an ICP a condition for the granting of a general licence for an exporter)...”<sup>2253</sup>

Japan has suggested that its exporters develop ICPs since 1987.<sup>2254</sup> However, in 2003, METI placed greater importance on this in its “notice regarding ‘Detouring exports of items related to weapons of mass destruction...’” which “asks export-related companies to strengthen internal export control compliance taking actions such as (a) strengthening internal export control systems...and (b) implementing internal reviews...”<sup>2255</sup> But Japan has yet to make any movements to change its national export control systems in regards to this within the current compliance period.

From 26 to 27 March 2012, Japan participated in the Seoul Nuclear Security Summit.<sup>2256</sup> At this time, it was involved in issuing a number of accords relating to the strengthening of national systems. For example, the Statement of Activity and Cooperation to Counter Nuclear Smuggling commits Japan to taking internal measures to diminish nuclear smuggling, though the country is not one of those that has promised to “pass new laws, regulations, guidance, or policies by the 2014 Nuclear Security Summit.”<sup>2257</sup> Japan was also highly involved in creating the Joint

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<sup>2251</sup> Public Statement 2011 Plenary Meeting of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, Wassenaar Arrangement (Vienna) 14 December 2011. Date of Access: 30 January 2012.

<http://www.wassenaar.org/publicdocuments/2011/WA%20Plenary%20Public%20Statement%202011.pdf>.

<sup>2252</sup> Ex/Im Daily Update, Northrop Grumman Corporation Law Department (Falls Church) 21 December 2011. Date of Access: 30 January 2012.

<http://www.ndia.org/Resources/ExportImportComplianceResources/DailyBugle/Documents/December%202011/Dec%2021.pdf>.

<sup>2253</sup> Best Practice Guidelines on Internal Compliance Programmes for Dual-Use Goods and Technologies, Wassenaar Arrangement (Vienna) 13-14 December 2011. Date of Access: 30 January 2012.

<http://www.wassenaar.org/guidelines/docs/2%20-%20Internal%20Compliance%20Programmes.pdf>.

<sup>2254</sup> Ex/Im Daily Update, Northrop Grumman Corporation Law Department (Falls Church) 21 December 2011. Date of Access: 30 January 2012.

<http://www.ndia.org/Resources/ExportImportComplianceResources/DailyBugle/Documents/December%202011/Dec%2021.pdf>.

<sup>2255</sup> Announcement of the Names of Companies that Have Voluntarily Established Internal Compliance Programs (ICPs) and Registered Them with METI, Security Export Control Policy Division, Trade Control Department, Ministry of Economics, Trade, and Industry (Tokyo) 18 October 2010. Date of Access: 30 January 2012. <http://www.meti.go.jp/policy/anpo/securityexportcontrol4.html>.

<sup>2256</sup> 2012 Seoul Nuclear Security Summit: Key Facts, Seoul Nuclear Security Summit (Seoul) 2012. Date of Access: 29 April 2012.

<http://www.thenuclearsecuritysummit.org/userfiles/Key%20Facts%20on%20the%202012%20Seoul%20Nuclear%20Security%20Summit.pdf>.

<sup>2257</sup> Statement of Activity and Cooperation to Counter Nuclear Smuggling, Seoul Nuclear Security Summit (Seoul) 26-27 March 2012. Date of Access: 29 April 2012.



Statement on Transport Security, which obligates it to working group meetings that aim to determine how to comply with the International Atomic Energy Agency's Nuclear Security Recommendations on Physical Protection of Nuclear Material and Nuclear Facilities (INFCIRC/225/Rev.5), among other matters.<sup>2258</sup> However, the aforementioned measures cannot count towards compliance with the overall commitment due to the lack of specificity and internal action.

At the same summit, Japan also agreed to the Multinational Statement on Nuclear Information Security, which commits it to "Full national implementation of information security-related elements of international instruments such as UNSCRs 1540 and 1887 and, as appropriate, of export control regimes that assist in regulating material and technology transfers...."<sup>2259</sup> But since this accord does not involve internal measures that Japan is currently taking, this cannot count as compliance with the commitment.

Thus, Japan has been awarded a +1 for its efforts to strengthen its national export control systems and response to the FATF call to take effective countermeasures against Iran, further protecting it from involvement in proliferation financing.

*Analyst: Sarah Beard*

#### **Russia: +1**

Russia has fully complied with the commitment on strengthening its national system to combat proliferation.

Russia has taken several measures to transform its legal system in regards to proliferation financing.

On 8 November 2011, Russian President signed a law amending the Law On Combating Legalisation (Laundering) of the Proceeds of Crime and Financing Terrorism.<sup>2260</sup> According to the explanatory note to this law, the amendments are designed to adjust the Russian legislation in accordance with the recommendation 19 of the FATF 40 Recommendations (reporting on currency transactions above a fixed amount for use in money laundering or terrorist financing cases).<sup>2261</sup> At the meeting with Director of Russian Federal Security Service, President Medvedev emphasized that this law will strengthen the "legal toolkit" to counter terrorist financing.<sup>2262</sup>

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<http://www.thenuclearsecuritysummit.org/userfiles/Activity%20and%20Cooperation%20to%20Counter%20Nuclear%20Smuggling.pdf>.

<sup>2258</sup> Joint Statement on Transport Security, Seoul Nuclear Security Summit (Seoul) March 2012. Date of Access: 29 April 2012. [http://www.thenuclearsecuritysummit.org/eng\\_media/speeches/speeches\\_list.jsp](http://www.thenuclearsecuritysummit.org/eng_media/speeches/speeches_list.jsp).

<sup>2259</sup> Multinational Statement on Nuclear Information Security, Nuclear Security Summit (Seoul) March 2012. Date of Access: 29 April 2012.

<http://www.thenuclearsecuritysummit.org/userfiles/Nuclear%20Information%20Security.pdf>.

<sup>2260</sup> Amendments to law on countering money laundering and to Administrative Offences Code, Russian Presidential Executive Office (Moscow) 9 November 2011. Date of Access: 14 February 2012.

<http://eng.kremlin.ru/news/3051>.

<sup>2261</sup> Explanatory Note, Russian State Duma (Moscow) 26 September 2007. Date of Access: 14 February 2012.

[http://asozd.duma.gov.ru/main.nsf/\(ViewDoc\)?OpenAgent&work/dz.nsf/ByID&61C54202E5D26696C325736400307979](http://asozd.duma.gov.ru/main.nsf/(ViewDoc)?OpenAgent&work/dz.nsf/ByID&61C54202E5D26696C325736400307979).

<sup>2262</sup> Working meeting with Director of Federal Security Service (FSB) Alexander Bortnikov, Russian Presidential Executive Office (Moscow) 9 November 2011. Date of Access: 14 February 2012.

<http://eng.kremlin.ru/news/3052>.

Suspicious transactions monitoring is regarded by the FATF as an important element of combating proliferation financing.<sup>2263</sup>

On 19 December 2011, at the Meeting of Supreme Eurasian Economic Council, presidents of Belarus, Kazakhstan and Russia signed the agreement on combating legalisation (laundering) of the proceeds of crime and financing terrorism in the Customs Union between Russia, Belarus, and Kazakhstan.<sup>2264</sup> The agreement is aimed at defining the legal framework for cooperation on combating money laundering and terrorism financing in the Customs Union.<sup>2265</sup>

Russia has also taken measures to strengthen its national export control policies.

On 27 December 2011, the Russian Government decided to remove the expiration date of the Government Resolution adopted on 4 December 2009 on strengthening control of nuclear technologies and equipment export and making it permanently effective. The decision is aimed at “ensuring Russia’s compliance with the commitments on non proliferation made at the G8 Deauville summit”.<sup>2266</sup>

During the compliance period Russia has taken measures to transform its legal system in regards to proliferation financing and strengthened its national export control policies. Thus, Russia has been awarded a score of +1.

*Analyst: Mark Rakhmangulov*

#### **United Kingdom: +1**

The United Kingdom has fully complied with its commitment to strengthen national policies in regards to the proliferation of weapons of mass destruction (WMD) by working towards enhancing its legislative ability to fight proliferation by transforming its laws in regards to proliferation financing, and by tightening its national export control policies.

The British government has been a part of the Financial Action Task Force (FATF) since the 1990s.<sup>2267</sup>

The British government proposed changes to the Money Laundering Regulations 2007 in order to ease some of the pressure on businesses as they attempt to comply with these laws by allowing them to focus their efforts on those areas that they deem to be high risk for money laundering and terrorist financing.<sup>2268</sup> While they will not come into effect until 2013 or 2014, such changes may include “The removal of over two dozen criminal penalties for businesses which fail to have the

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<sup>2263</sup> Combating Proliferation Financing: A Status Report on Policy Development and Consultation, FATF (Paris), February 2010. Date of Access: 20 December 2011. Date of Access: 14 February 2012. <http://www.fatf-gafi.org/dataoecd/32/40/45049911.pdf>.

<sup>2264</sup> Documents Signed at the Meeting of Supreme Eurasian Economic Council, Russian Presidential Executive Office (Moscow) 19 December 2011. Date of Access: 14 February 2012. [http://news.kremlin.ru/ref\\_notes/1122](http://news.kremlin.ru/ref_notes/1122).

<sup>2265</sup> Agreement on Combating Legalisation (Laundering) of the Proceeds of Crime and Financing Terrorism in the Customs Union, Customs Union Commission 19 December 2011. Date of Access: 14 February 2012. <http://bit.ly/xHF0mh>.

<sup>2266</sup> Government Resolution No. 1159 of 27 December 2011, Government of Russia (Moscow) 8 December 2010. Date of Access: 14 February 2012. <http://government.consultant.ru/page.aspx?1596103>.

<sup>2267</sup> General Information United Kingdom, FATF (France). Date of Access: 25 January 2012. [http://www.fatf-gafi.org/document/0/0,3746,en\\_32250379\\_32236869\\_36104448\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/document/0/0,3746,en_32250379_32236869_36104448_1_1_1_1,00.html).

<sup>2268</sup> Government Publishes Consultation on Changes to Money Laundering Regulations 2007, HM Treasury (London) 7 June 2011. Date of Access: 17 January 2012. [http://www.hm-treasury.gov.uk/press\\_55\\_11.htm](http://www.hm-treasury.gov.uk/press_55_11.htm).

appropriate systems and controls in place to combat money laundering. This would allow businesses to implement a fully risk-based approach, where businesses make their own assessment of the risks they face and implement appropriate systems and controls.”<sup>2269</sup>

Lord Sassoon, the Commercial Secretary, suggested that “It is essential that the UK’s money laundering regulations make the UK a hostile environment for money laundering and terrorist finance... This will modestly reduce the burden on business, without damaging the fight against money laundering.”<sup>2270</sup> While the laws have not come into effect and cannot count as compliance, this process shows that the UK is making efforts to uphold a tough stance on refining its national systems legislation.

The British government has continued to implement recommendations from the FATF by including businesses at risk of facilitating money laundering within UK legislation.<sup>2271</sup> The reason for this inclusion is that such businesses “...deal in potentially high value overseas property, and which may otherwise be outside the oversight of UK law enforcement bodies.”<sup>2272</sup> Such property can be nuclear material or financial property for nuclear programs in another country. The British government has stated that it will “work with other EU Member States and members of the Financial Action Task Force (FATF), to address issues affecting the UK.”<sup>2273</sup>

On 21 November 2011, British Chancellor George Osborne instated new financial restrictions against Iran to increase pressure on it following the presentation of evidence of an Iranian nuclear weapon program by the International Atomic Energy Agency (IAEA).<sup>2274</sup> The statement is in compliance with United Nations Security Council Resolution (UNSCR) 1540 because it requires that all states work to prevent proliferation. Further, Osborne has stated that “It is also a response to calls from the Financial Action Task Force [FATF] for countries to strengthen safeguards to protect their financial sectors from money laundering and financing of terrorism risks emanating from Iran.”<sup>2275</sup>

The UK Treasury Department stated that this is due to the large part that Iranian banks play in “providing financial services to individuals and entities within Iran’s nuclear programme.”<sup>2276</sup>

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<sup>2269</sup> Consultation on Proposed Changes to the Money Laundering Regulations 2007: Summary of Responses, HM Treasury (London) November 2011. Date of Access: 20 January 2012. [http://www.hm-treasury.gov.uk/d/condoc\\_responses\\_changes\\_money\\_laundering\\_regulations2007.pdf](http://www.hm-treasury.gov.uk/d/condoc_responses_changes_money_laundering_regulations2007.pdf).

<sup>2270</sup> Government Publishes Consultation on Changes to Money Laundering Regulations 2007, HM Treasury (London) 7 June 2011. Date of Access: 17 January 2012. [http://www.hm-treasury.gov.uk/press\\_55\\_11.htm](http://www.hm-treasury.gov.uk/press_55_11.htm).

<sup>2271</sup> Review of the Money Laundering Regulations 2007: the Government Response, HM Treasury (London) June 2011. Date of Access: 25 January 2012.

[http://www.hmtreasury.gov.uk/d/consult\\_money\\_launders\\_regs2007\\_gov\\_response.pdf](http://www.hmtreasury.gov.uk/d/consult_money_launders_regs2007_gov_response.pdf).

<sup>2272</sup> Review of the Money Laundering Regulations 2007: the Government Response, HM Treasury (London) June 2011. Date of Access: 25 January 2012.

[http://www.hmtreasury.gov.uk/d/consult\\_money\\_launders\\_regs2007\\_gov\\_response.pdf](http://www.hmtreasury.gov.uk/d/consult_money_launders_regs2007_gov_response.pdf).

<sup>2273</sup> Review of the Money Laundering Regulations 2007: the Government Response, HM Treasury (London) June 2011. Date of Access: 25 January 2012.

[http://www.hmtreasury.gov.uk/d/consult\\_money\\_launders\\_regs2007\\_gov\\_response.pdf](http://www.hmtreasury.gov.uk/d/consult_money_launders_regs2007_gov_response.pdf).

<sup>2274</sup> Chancellor Announces New Financial Restrictions against Iran, HM Treasury (London) 21 November 2011. Date of Access: 17 January 2012. [http://www.hm-treasury.gov.uk/press\\_131\\_11.htm](http://www.hm-treasury.gov.uk/press_131_11.htm).

<sup>2275</sup> Chancellor Announces New Financial Restrictions against Iran, HM Treasury (London) 21 November 2011. Date of Access: 17 January 2012. [http://www.hm-treasury.gov.uk/press\\_131\\_11.htm](http://www.hm-treasury.gov.uk/press_131_11.htm).

<sup>2276</sup> Britain Cuts Ties with Iran Banks over Nuclear Concerns, AFP (London) 21 November 2011. Date of Access: 17 January 2012.

<http://www.google.com/hostednews/afp/article/ALeqM5hu021jvZa6nSoGrkKApnCweWtpmA?docId=CN.G.11f87c4948d97b8d7bbf830f56f4527c.6c1>.

Thus, the UK Treasury wrote and exercised the Financial Restrictions (Iran) Order, as allowed by the Counter-Terrorism Act 2008.<sup>2277</sup> The new orders declare that “UK credit and financial institutions are prohibited from entering into transactions or business relationships with these entities and continuing existing transactions and business relationships with them...”<sup>2278</sup> The purpose of the restriction is to make it difficult for Iran to support its nuclear program using the international financial system.

On 15 April 2012, the UK, along with the US and France, noted that they would not remove sanctions taken against Iran unless it agreed to abandon its uranium enrichment program.<sup>2279</sup> The support for the international sanction displays the UK government’s commitment to bolstering its legal action against proliferation.

The UK has also taken steps to strengthen its national export control policies on the subject of Iran’s nuclear program. On 23 January 2012, Britain, as a member of the EU, increased the number of items included on the list of sensitive dual-use goods that may not be exported to Iran.<sup>2280</sup> Council Decision 2012/35/CFSP amended Decision 2012/413/CFSP, and declared that “it is appropriate to prohibit or control the supply, sale or transfer to Iran of...items, materials, equipment, goods and technology, that could contribute to Iran’s enrichment-related, reprocessing or heavy water-related activities, to the development of nuclear weapon delivery systems or to the pursuit of activities related to other topics about which the IAEA has expressed concerns or identified as outstanding, or to other weapons of mass destruction programmes. This prohibition should include dual-use goods and technology.”<sup>2281</sup> Among other measures, new sanctions to halt the sale of “chemical process equipment and materials required for the petrochemical industry...” were put in place, in part, because these goods “have much in common with those required for certain sensitive nuclear fuel cycle activities...”<sup>2282</sup>

On 23 March 2012, the British government released a notice to all exporters that places restrictions and regulations on exports to Iran.<sup>2283</sup> This came into force on 24 March 2012.<sup>2284</sup>

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<sup>2277</sup> 2011 No. 2775: Prevention of Nuclear Proliferation, Terrorist Financing and Money Laundering: The Financial Restrictions (Iran) Order 2011, HM Treasury (London) 21 November 2011. Date of Access: 18 January 2012. [http://www.detini.gov.uk/financial\\_restrictions\\_iran\\_order2011.pdf](http://www.detini.gov.uk/financial_restrictions_iran_order2011.pdf).

<sup>2278</sup> Written Ministerial Statement (Financial Order), HM Treasury (London) 21 November 2011. Date of Access: 20 January 2012. [http://www.hm-treasury.gov.uk/d/written\\_ministerial\\_statement\\_comsec211111.pdf](http://www.hm-treasury.gov.uk/d/written_ministerial_statement_comsec211111.pdf).

<sup>2279</sup> 5+1 May Mull Lifting Sanctions if Iran Makes Substantial Offer: FT, Tehrantimes (Tehran) 18 April 2012. Date of Access: 25 April 2012. <http://www.tehrantimes.com/politics/97064-51-may-mull-lifting-sanctions-if-iran-makes-substantial-offer-ft>.

<sup>2280</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 3 May 2012. [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2281</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 24 January 2012. Date of Access: 3 May 2012. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>.

<sup>2282</sup> Council Decision 2012/35/CFSP, Official Journal of the European Union (Brussels) 24 January 2012. Date of Access: 3 May 2012. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF>.

<sup>2283</sup> New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No 267/2012, Department of Business Innovation & Skills (BIS) (London) 27 March 2012. Date of Access: 22 April 2012. [https://docs.google.com/viewer?a=v&q=cache:jk\\_0oI3bhqAJ:www.bis.gov.uk/assets/biscore/eco/docs/notices-to-exporters/2012/notice-to-exporters-2012-18-iran-council-](https://docs.google.com/viewer?a=v&q=cache:jk_0oI3bhqAJ:www.bis.gov.uk/assets/biscore/eco/docs/notices-to-exporters/2012/notice-to-exporters-2012-18-iran-council-)

Council Regulation (EU) No. 267/2012 reveals that the UK government has added to its controls on the export of dual-use goods that could contribute to Iran's nuclear and missile-delivery programs, and implements Council Decision 2012/35/CFSP.<sup>2285</sup> The new regulation includes "Changes to the prohibitions relating to the sale, supply, transfer or export of dual-use items and of goods and technology (including software) which could contribute to Iran's nuclear and missile-delivery programmes."<sup>2286</sup>

On November 2011, the UK, as a member of the EU, adopted changes to its export licensing system.<sup>2287</sup> Regulation 1232/2011 has increased the number of categories of EU General Export Authorisations.<sup>2288</sup> One of the new licenses, EU002, "Covers several Wassenaar Arrangement-controlled items" and allows their export to a limited number of destinations.<sup>2289</sup>

Between 23 and 24 June 2011, the UK participated in the Nuclear Suppliers Group (NSG) Plenary in the Netherlands. The NSG is a group that "aims to prevent the proliferation of nuclear weapons through the implementation on a national basis of export controls...."<sup>2290</sup> The UK "discussed brokering and transit issues and agreed to consider options how to best reflect these matters in the guidelines of the NSG. While no changes were made to current control lists, the NSG called for a review of the "trigger and dual use lists" to ensure that they took into account technological innovations.<sup>2291</sup> They also "called on all states to exercise vigilance and make best efforts to ensure that none of their exports of goods or technologies contribute to nuclear weapons programmes."<sup>2292</sup> This, however, cannot contribute to the UK's final compliance score because the NSG is not a legally-binding regime.<sup>2293</sup>

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<sup>2284</sup> New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No 267/2012, Department of Business Innovation & Skills (BIS) (London) 23 March 2012. Date of Access: 22 April 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2285</sup> New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No 267/2012, Department of Business Innovation & Skills (BIS) (London) 23 March 2012. Date of Access: 30 April 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2286</sup> New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No 267/2012, Department of Business Innovation & Skills (BIS) (London) 23 March 2012. Date of Access: 30 April 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2287</sup> Regulation (EU) No. 1232/2011 of the European Parliament and of the Council of 16 November 2011, Official Journal of the European Union (Brussels) 8 December 2011. Date of Access: 3 May 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148465.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148465.pdf).

<sup>2288</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 3 May 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2289</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) 2 November 2011. Date of Access: 3 May 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2290</sup> NSG Public Statement, Nuclear Suppliers Group Plenary (Noordwijk) 23-24 June 2011. Date of Access: 20 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2291</sup> NSG Public Statement, Nuclear Suppliers Group Plenary (Noordwijk) 23-24 June 2011. Date of Access: 20 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2292</sup> NSG Public Statement, Nuclear Suppliers Group Plenary (Noordwijk) 23-24 June 2011. Date of Access: 18 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2293</sup> The Nuclear Suppliers Group (NSG) at a Glance, Arms Control Association (Washington). Date of Access: 1 May 2012. <http://www.armscontrol.org/factsheets/NSG>.

On 19 April 2012, the United States released a Presidential Statement on behalf of the United Nations Security Council, which includes the UK. It reaffirmed UNSCR 1540 of 2004, which states that countries must effectively prevent non-state actors from acquiring weapons of mass destruction by all means of delivery.<sup>2294</sup> The resolution also compels states to establish domestic control policies to prevent the proliferation of nuclear material.<sup>2295</sup> On 3 November 2011, representatives of the UK's Ministry of Defense, the National Nuclear Security Administration (NNSA) and Russia's State Atomic Energy Corporation "Rosatom" met in Copenhagen, for the Sixth Annual Nuclear Security Best Practices Exchange.<sup>2296</sup> The meeting was focused on securing nuclear material.<sup>2297</sup> While both of the aforementioned items are evidence of the UK's commitment to nuclear safety, they cannot count towards Britain's final compliance score because they did not involve concrete changes to Britain's national export control policies.

As a result, the United Kingdom has received a score of +1 for transforming its legal system in regards to proliferation financing and for strengthening its national export control policies.

*Analyst: John Amadi*

### **United States: +1**

The United States has fully complied with its commitment to strengthen its national systems in order to further combat nuclear proliferation. It has transformed its legal system in regards to proliferation financing, and has strengthened its national export control policies.

On 19 November 2011, the US Department of the Treasury lowered Iran to the status of a "jurisdiction of 'primary money laundering concern' under section 311 of the USA PATRIOT Act."<sup>2298</sup> In their finding, they made note of a 28 October 2011 Financial Action Task Force (FATF) call.<sup>2299</sup> At that time, the FATF asked states "to apply effective counter-measures...to protect their financial sectors from money laundering and financing of terrorism risks emanating from Iran."<sup>2300</sup> Noting Iran's lack of response to the FATF's concerns, the report stated that this "raises significant concern over the willingness or ability of Iran to establish adequate controls to counter terrorist financing."<sup>2301</sup> As a result, the US Treasury identified the entire Iranian financial

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<sup>2294</sup> UN Security Council Presidential Statement on Nuclear Nonproliferation, Embassy of the United States in London, UK (London) 19 April 2012. Date of Access: 22 April 2012.

<http://london.usembassy.gov/acda083.html>.

<sup>2295</sup> UN Security Council Presidential Statement on Nuclear Nonproliferation, Embassy of the United States to London, UK (London) 19 April 2012. Date of Access: 22 April 2012.

<http://london.usembassy.gov/acda083.html>.

<sup>2296</sup> United States, Russia Federation, and United Kingdom Hold Nuclear Security Best Practices Workshop, National Nuclear Security Administration (Washington D.C.) 3 November 2011. Date of Access: 25 January 2012. <http://nnsa.energy.gov/mediaroom/pressreleases/impworkshop6>.

<sup>2297</sup> United States, Russia Federation, and United Kingdom Hold Nuclear Security Best Practices Workshop, National Nuclear Security Administration (Washington D.C.) 3 November 2011. Date of Access: 25 January 2012. <http://nnsa.energy.gov/mediaroom/pressreleases/impworkshop6>.

<sup>2298</sup> State Department Fact Sheet: New Sanctions on Iran, US Department of State (Washington) 21 November 2011. Date of Access: 20 January 2011.

<http://translations.state.gov/st/english/texttrans/2011/11/20111121183417su0.3153956.html>.

<sup>2299</sup> Department of the Treasury Finding that the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern, US Department of the Treasury (Washington) 18 November 2011. Date of Access: 29 January 2012. <http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf>.

<sup>2300</sup> FATF Public Statement, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 28 January 2012.

<http://www.fatf-gafi.org/documents/repository/fatfpublicstatement-28october2011.html>.

<sup>2301</sup> Department of the Treasury Finding that the Islamic Republic of Iran is a Jurisdiction of Primary

sector, including the Central Bank, as posing “illicit finance risks for the global financial system.”<sup>2302</sup>

The Patriot Act, which was passed in 2001, was seen by the FATF as the strengthening of US anti-money laundering and counter terrorist financing measures.<sup>2303</sup> This current action implements the agreement since the Treasury Department’s recent findings indicate the involvement of Iranian financial institutions in WMD proliferation and terrorist financing.<sup>2304</sup> Due to the direct response of the US to the FATF’s call to put in place effective counter-measures, this action counts as movement to curtail proliferation financing.

On 5 December 2011, “the US Department of the Treasury’s Financial Crimes Enforcement (Fincen) Network delivered...a final rule to implement section 104(e) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010...”<sup>2305</sup> A Notice of Proposed Rule Making was written by FinCEN on 21 November 2011, requesting that this regulation be put in place as a part of the measures taken against Iran after its designation as a state of primary money laundering concern.<sup>2306</sup> It orders American banks to ensure that they have not created or maintained a corresponding account with a foreign bank linked to Iran.<sup>2307</sup>

If this is the case, US banks must report any indication of this to the Treasury Department.<sup>2308</sup> The implementation of this section of the act illustrates further American compliance with the FATF call, and hinders Iran’s ability to launder money and finance terrorism.

On 5 February 2012, US President Barack Obama signed Executive Order (E.O.) 13599, instituting new sanctions against Iran.<sup>2309</sup> The E.O. builds upon current sanctions and freezes all assets of the Central Bank of Iran, and all Iranian financial institutions, as well as all property of

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Money Laundering Concern, US Department of the Treasury (Washington) 18 November 2011. Date of Access: 29 January 2012. <http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf>.

<sup>2302</sup> State Department Fact Sheet: New Sanctions on Iran, US Department of State (Washington) 21 November 2011. Date of Access: 20 January 2011.

<http://translations.state.gov/st/english/texttrans/2011/11/20111121183417su0.3153956.html>.

<sup>2303</sup> Summary of the Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism, Financial Action Task Force (Paris) 23 June 2006. Date of Access: 24 January 2012. <http://www.fatf-gafi.org/dataocd/44/12/37101706.pdf>.

<sup>2304</sup> State Department Fact Sheet: New Sanctions on Iran, US Department of State (Washington) 21 November 2011. Date of Access: 20 January 2011.

<http://translations.state.gov/st/english/texttrans/2011/11/20111121183417su0.3153956.html>.

<sup>2305</sup> Fact Sheet: FinCEN Implements Provision of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, US Department of the Treasury (Washington) 5 October 2011. Date of Access: 6 January 2011. [http://www.fincen.gov/news\\_room/nr/html/20111005.html](http://www.fincen.gov/news_room/nr/html/20111005.html).

<sup>2306</sup> State Department Fact Sheet: New Sanctions on Iran, US Department of State (Washington) 21 November 2011. Date of Access: 29 January 2012.

<http://translations.state.gov/st/english/texttrans/2011/11/20111121183417su0.3153956.html>.

<sup>2307</sup> Fact Sheet: FinCEN Implements Provision of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, US Department of the Treasury (Washington) 5 October 2011. Date of Access: 6 January 2012. [http://www.fincen.gov/news\\_room/nr/html/20111005.html](http://www.fincen.gov/news_room/nr/html/20111005.html).

<sup>2308</sup> Fact Sheet: FinCEN Implements Provision of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, US Department of the Treasury (Washington) 5 October 2011. Date of Access: 6 January 2012. [http://www.fincen.gov/news\\_room/nr/html/20111005.html](http://www.fincen.gov/news_room/nr/html/20111005.html).

<sup>2309</sup> Fact Sheet: Implementation of National Defense Authorization Act Sanctions on Iran, US Department of the Treasury (Washington) 6 February 2012. Date of Access: 15 April 2012.

<http://www.treasury.gov/press-center/press-releases/Pages/tg1409.aspx>.

the Government of Iran.<sup>2310</sup> Since Iranian financial institutions are still involved in terrorist financing, this ensures American compliance with previous calls by the Financial Action Task Force (FATF).

The US has also taken steps to strengthen its national export control policies. On 7 December 2011, President Barack Obama announced the formulation of a “Beyond the Border Action Plan” with Canada.<sup>2311</sup> The agreement will aim to harmonize cargo screening processes and address threats “at the earliest possible point” through integrated threat assessments.<sup>2312</sup> Such a strategy could involve the harmonization of methods to detect WMDs and associated materials.

On 7 December 2011, Secretary of State Hillary Rodham Clinton announced the signing of a joint action plan with Slovakia.<sup>2313</sup> The plan outlines steps that the two governments will take to strengthen their capacities to detect and prevent the smuggling of nuclear materials.<sup>2314</sup> Clinton noted that “There is no greater threat to the safety and security of our world than preventing nuclear and highly radioactive materials coming into the hands of terrorists...”<sup>2315</sup> Through this the US and Slovakia are taking cooperative steps to ensure they are not directly or indirectly assisting in the proliferation of nuclear materials. Much like the action above, this is a major aim of the proliferation security initiative, although this action was not specifically taken as a part of the PSI.

On 30 November 2011, the National Nuclear Security Administration (NNSA) announced the signing of an implementing arrangement with the Government of Kazakhstan’s Ministry of Industry and New Technology.<sup>2316</sup> This provides a framework for expanding cooperation in such areas as nuclear material safeguards and security, containment and surveillance of nuclear materials, and nuclear safety and waste management.<sup>2317</sup> Through this agreement, the US and Kazakhstan are cooperating to further strengthen their national export control policies so as to further halt the shipment of nuclear materials. This is a key requirement of the Proliferation Security Initiative (PSI), although this action was not taken as a part of the PSI.

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<sup>2310</sup> Fact Sheet: Implementation of National Defense Authorization Act Sanctions on Iran, US Department of the Treasury (Washington) 6 February 2012. Date of Access: 15 April 2012.

<http://www.treasury.gov/press-center/press-releases/Pages/tg1409.aspx>.

<sup>2311</sup> Fact Sheet: US-Canada Beyond the Border and Regulatory Cooperation Council Initiatives, The White House

(Washington) 7 December 2011. Date of Access: 26 January 2012.

<http://www.whitehouse.gov/the-press-office/2011/12/07/fact-sheet-us-canada-beyond-border-and-regulatory-cooperation-council-in>.

<sup>2312</sup> Fact Sheet: US-Canada Beyond the Border and Regulatory Cooperation Council Initiatives, The White House (Washington) 7 December 2011. Date of Access: 26 January 2012.

<http://www.whitehouse.gov/the-press-office/2011/12/07/fact-sheet-us-canada-beyond-border-and-regulatory-cooperation-council-in>.

<sup>2313</sup> Statement by Hillary Rodham Clinton at NATO Headquarters, US Department of State (Washington) 7 December 2011. Date of Access: 20 January 2012. <http://www.state.gov/secretary/rm/2011/12/178445.htm>.

<sup>2314</sup> Statement by Hillary Rodham Clinton at NATO Headquarters, US Department of State (Washington) 7 December 2011. Date of Access: 20 January 2012. <http://www.state.gov/secretary/rm/2011/12/178445.htm>.

<sup>2315</sup> Statement by Hillary Rodham Clinton at NATO Headquarters, US Department of State (Washington) 7 December 2011. Date of Access: 20 January 2012. <http://www.state.gov/secretary/rm/2011/12/178445.htm>.

<sup>2316</sup> US, Kazakhstan Expand Nuclear Safeguards, Security Cooperation, National Nuclear Security Administration (Washington) 30 November 2011. Date of Access: 6 January 2012.

<http://www.nnsa.energy.gov/mediaroom/pressreleases/uskazcoop113011>.

<sup>2317</sup> US, Kazakhstan Expand Nuclear Safeguards, Security Cooperation, National Nuclear Security Administration (Washington) 30 November 2011. Date of Access: 6 January 2012.

<http://www.nnsa.energy.gov/mediaroom/pressreleases/uskazcoop113011>.



On 3 November 2011, the US, Russia, and the United Kingdom met in Copenhagen for their Sixth Annual Nuclear Security Best Practices Exchange.<sup>2318</sup> The aim of this conference was to improve mutual understandings of the challenges each country faces in regards to nonproliferation, and to establish common practices to further improve nuclear security.<sup>2319</sup> Workshops focused on access controls systems, mitigating insider threats, conducting vulnerability assessments, and cyber security at nuclear material facilities.<sup>2320</sup> Such an initiative is directly related to the aims outlined in UNSCR 1540, which requires that all states take similar actions to prevent proliferation, though it cannot add to America's final compliance score because it did not require the US to undertake internal reforms.

On 27 March 2012, the US and a number of its international partners affirmed their intentions to draw up a National Legislation Implementation Kit on nuclear security at the Seoul Nuclear Security Summit.<sup>2321</sup> The aim of the kit is to help states to develop comprehensive national legislation on nuclear security that does not contradict existing national legal processes.<sup>2322</sup> However, this cannot count towards America's compliance score because it does not necessarily require the US to take internal action to alter its national legislation within the compliance period. From 12-16 September 2011, the US hosted a visit by the United Nations (UN) Security Council Committee that was established by UN Resolution 1540.<sup>2323</sup> This allowed the committee to examine current US efforts in implementing Resolution 1540, through various briefings and visits to US facilities.

Thus, the United States has been awarded a score of +1 for transforming its legal system in regards to proliferation financing and strengthening its national export control policies.

*Analyst: Khalid Mahdi*

### **European Union: +1**

The European Union (EU) has fully complied with its nuclear non-proliferation commitment by enacting sanctions to curtail proliferation financing, and by strengthening the national export control policies of its member states.

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<sup>2318</sup> United States, Russia Federation, and United Kingdom Hold Nuclear Security Best Practices Workshop, National Nuclear Security Administration (Washington) 3 November 2011. Date of Access: 6 January 2012.

<http://www.nnsa.energy.gov/mediaroom/pressreleases/impcworkshop6>.

<sup>2319</sup> United States, Russia Federation, and United Kingdom Hold Nuclear Security Best Practices Workshop, National Nuclear Security Administration (Washington) 3 November 2011. Date of Access: 6 January 2012.

<http://www.nnsa.energy.gov/mediaroom/pressreleases/impcworkshop6>.

<sup>2320</sup> United States, Russia Federation, and United Kingdom Hold Nuclear Security Best Practices Workshop, National Nuclear Security Administration (Washington) 3 November 2011. Date of Access: 6 January 2012.

<http://www.nnsa.energy.gov/mediaroom/pressreleases/impcworkshop6>.

<sup>2321</sup> Joint Statement on National Legislation Implementation Kit on Nuclear Security, The White House (Washington) 27 March 2012. Date of Access: 21 April 2012.

<http://www.whitehouse.gov/the-press-office/2012/03/27/joint-statement-national-legislation-implementation-kit-nuclear-security>.

<sup>2322</sup> Joint Statement on National Legislation Implementation Kit on Nuclear Security, The White House (Washington) 27 March 2012. Date of Access: 21 April 2012.

<http://www.whitehouse.gov/the-press-office/2012/03/27/joint-statement-national-legislation-implementation-kit-nuclear-security>.

<sup>2323</sup> Visit by UN Security Council Committee to the United States, US Department of State (Washington) 12 September 2011. Date of Access: 1 January 2012. <http://www.state.gov/t/isn/rls/fs/177258.htm>.

The European Commission joined the Financial Action Task Force (FATF) as a founding member in 1989.<sup>2324</sup> Most states in the EU are also individual members of the FATF.<sup>2325</sup>

On 23 January 2012, the EU announced a freeze on assets of the Iranian central bank.<sup>2326</sup> British Foreign Secretary William Hague explained that the freeze, along with additional sanctions, “demonstrates the EU’s growing concern about Iran’s nuclear programme, and our determination to increase peaceful, legitimate pressure on Iran to return to negotiations.”<sup>2327</sup> The assets freeze and sanctions are intended to limit Iran’s ability to fund its nuclear program and to force Iran to comply with United Nations resolutions condemning the program.<sup>2328</sup> In particular, German Foreign Minister Guido Westerwelle noted that “We have no choice but to pass tough new sanctions that address the financial sources of the nuclear program.”<sup>2329</sup> This asset freeze complies with the FATF Public Statement issued on 28 October 2011, which called for members to “consider the steps already taken and possible additional safeguards or strengthen existing ones...” in order to “protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran.”<sup>2330</sup> Annex I of these new regulations targets financial institutions that have laundered money for the benefit of the Iranian nuclear program.<sup>2331</sup>

On 13 July 2011, the European Commission released a report which presents policy options for the creation of a European terrorist finance tracking system.<sup>2332</sup> The EU is already a participant in the Terrorist Finance Tracking Programme (TFTP), which analyzes financial data. This allows it to detect terrorist activity in order to implement the EU-United States (US) TFTP agreement which was launched in 2010.<sup>2333</sup> The report suggested that the purpose of EU involvement was to fight terrorism by combating the financing of it within member states’ jurisdictions.<sup>2334</sup> Since the European Parliament has made reference to the current agreement as a temporary stage preceding

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<sup>2324</sup> About the FATF, Financial Action Task Force (Paris). Date of Access: 29 January 2012.

[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236836\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1_1,00.html).

<sup>2325</sup> Members & Observers, Financial Action Task Force (Paris) 2012. Date of Access: 28 January 2012.

[http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236869\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236869_1_1_1_1_1,00.html).

<sup>2326</sup> New European Union Sanctions Target Iran Nuclear Program, CNN (Atlanta) 23 January 2012. Date of Access: 23 January 2012. <http://www.cnn.com/2012/01/23/world/europe/iran-eu-oil/index.html>.

<sup>2327</sup> New European Union Sanctions Target Iran Nuclear Program, CNN (Atlanta) 23 January 2012. Date of Access: 23 January 2012. <http://www.cnn.com/2012/01/23/world/europe/iran-eu-oil/index.html>.

<sup>2328</sup> New European Union Sanctions Target Iran Nuclear Program, CNN (Atlanta) 23 January 2012. Date of Access: 23 January 2012. <http://www.cnn.com/2012/01/23/world/europe/iran-eu-oil/index.html>.

<sup>2329</sup> New European Union Sanctions Target Iran Nuclear Program, CNN (Atlanta) 23 January 2012. Date of Access: 29 January 2012. <http://www.cnn.com/2012/01/23/world/europe/iran-eu-oil/index.html>.

<sup>2330</sup> FATF Public Statement – 28 October 2011, Financial Action Task Force (Paris) 28 October 2011. Date of Access: 29 January 2012. [http://www.fatf-gafi.org/document/55/0,3746,en\\_32250379\\_32236992\\_48966519\\_1\\_1\\_1\\_1,00.html#iran](http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html#iran).

<sup>2331</sup> Council Implementing Regulation (EU) No 54/2012, EUR-Lex (Luxembourg) 24 January 2012. Date of Access: 28 January 2012. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0001:0005:EN:PDF>.

<sup>2332</sup> A European Terrorist Finance Tracking System: Available Options, European Commission (Brussels) 13 July 2011. Date of Access: 25 January 2012. [http://ec.europa.eu/home-affairs/news/intro/docs/110713/1\\_EN\\_ACT\\_part1\\_v15.pdf](http://ec.europa.eu/home-affairs/news/intro/docs/110713/1_EN_ACT_part1_v15.pdf).

<sup>2333</sup> Terrorist Finance Tracking Program, European Commission Home Affairs (Brussels) 12 July 2011. Date of Access: 25 January 2012. [http://ec.europa.eu/home-affairs/policies/terrorism/terrorism\\_tftp\\_en.htm](http://ec.europa.eu/home-affairs/policies/terrorism/terrorism_tftp_en.htm).

<sup>2334</sup> A European Terrorist Finance Tracking System: Available Options, European Commission (Brussels) 13 July 2011. Date of Access: 25 January 2012. [http://ec.europa.eu/home-affairs/news/intro/docs/110713/1\\_EN\\_ACT\\_part1\\_v15.pdf](http://ec.europa.eu/home-affairs/news/intro/docs/110713/1_EN_ACT_part1_v15.pdf).

a strictly European financial tracking system, further progress in this area is expected.<sup>2335</sup> The publication of this report has sent a further signal that the EU is likely to strengthen its legislation against proliferation financing. However, while the creation of a European financial tracking system would count as compliance with Special Recommendation 3 of the FATF, the EU has yet to implement the necessary legislation.

The European Union has also taken steps to strengthen its national export control policies. On 16 November 2011, the EU amended Council Regulation (EC) No. 428/2009, which had created “a Community regime for the control of exports, transfers, brokering and transit of dual-use items...”<sup>2336</sup> Regulation (EU) No. 1232/2011 made changes to the legislation which requires exporters of controlled dual-use items to apply for export authorisation. Prior to the transformation, there was only one category of license for the export of dual-use items regulated by this legislation, and it was the Community General Export Authorisation, which “authorised the export of most items...to seven specified countries...”<sup>2337</sup> Now, the EU has introduced five other categories of general license, one of which is EU 002, which controls the export of some dual-use items specified under the Wassenaar Arrangement.<sup>2338</sup> It allows their export to six locations including Argentina, Croatia, Iceland, South Africa, South Korea, and Turkey.<sup>2339</sup> However, to improve control over these items, the EU now has the powers to prohibit an exporter from using a license if “there is reasonable suspicion about your ability to comply with an authorisation or with a provision of the export control legislation. Information about prohibited exporters is exchanged among all Member States.”<sup>2340</sup>

The legislation is also important because it has instituted a process for the regular reporting of information on the regime to the European Parliament in order to increase accountability, and because it has strengthened information exchange in order to “improve enforcement.”<sup>2341</sup> Due to the fact that the new regime aims to assert stricter control over dual-use goods, this regulation will count as compliance toward strengthening export controls.

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<sup>2335</sup> A European Terrorist Finance Tracking System: Available Options, European Commission (Brussels) 13 July 2011. Date of Access: 25 January 2012. [http://ec.europa.eu/home-affairs/news/intro/docs/110713/1\\_EN\\_ACT\\_part1\\_v15.pdf](http://ec.europa.eu/home-affairs/news/intro/docs/110713/1_EN_ACT_part1_v15.pdf).

<sup>2336</sup> Newsletter, European Union Project Cooperation in Export Control of Dual-Use Goods (Brussels) January 2012. Date of Access: 29 January 2012. [http://www.eu-outreach.info/eu\\_outreach/services/publications/newsletter\\_archives/2012/newsletter\\_2012\\_01.pdf](http://www.eu-outreach.info/eu_outreach/services/publications/newsletter_archives/2012/newsletter_2012_01.pdf).

<sup>2337</sup> European Union Publishes New Open Licences or EU General Export Authorisations for Export of Controlled Dual-Use Items, European Institute for Export Compliance (Brussels) 2011. Date of Access: 29 January 2012. <http://www.exportcompliance.eu/index.php/en/99-latest-news/136-european-union-publishes-new-open-licences-or-eu-general-export-authorisations-for-export-of-controlled-dual-use-items>.

<sup>2338</sup> European Union Publishes New Open Licences or EU General Export Authorisations for Export of Controlled Dual-Use Items, European Institute for Export Compliance (Brussels) 2011. Date of Access: 29 January 2012. <http://www.exportcompliance.eu/index.php/en/99-latest-news/136-european-union-publishes-new-open-licences-or-eu-general-export-authorisations-for-export-of-controlled-dual-use-items>.

<sup>2339</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) November 2011. Date of Access: 29 January 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2340</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) November 2011. Date of Access: 29 January 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

<sup>2341</sup> Fact Sheet on New EU General Export Authorisations, European Commission – Trade (Brussels) November 2011. Date of Access: 29 January 2012. [http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc\\_148466.pdf](http://trade.ec.europa.eu/doclib/docs/2011/december/tradoc_148466.pdf).

On 23 January 2012, trade of certain sensitive dual-use goods to Iran was prohibited.<sup>2342</sup> Council Decision 2012/35/CFSP indicated that products “that could contribute to Iran’s enrichment-related, reprocessing or heavy water-related activities, to the development of nuclear weapon delivery systems or to the pursuit of activities related to other topics about which the IAEA has expressed concerns...” may not be traded with Iran.<sup>2343</sup> It was stressed that materials and equipment specifically connected with the petrochemical industry would be affected by this ban because they “have much in common with those [goods] required for certain sensitive nuclear fuel cycle activities....”<sup>2344</sup>

On 23 March 2012, the Council of the European Union adopted Council Regulation (EU) No. 267/2012, which implemented the 23 January 2012 change in national export policy legislation.<sup>2345</sup> Among a number of other alterations, this increased the number of products included in Annexes I and II of the agreement, which means that “Changes to the prohibitions relating to the sale, supply, transfer or export of dual-use items and of goods and technology (including software) which could contribute to Iran’s nuclear and missile-delivery programmes” have been made.<sup>2346</sup> The majority of EU member states attended the 17<sup>th</sup> Plenary Meeting of the Wassenaar Arrangement from 13-14 December 2011.<sup>2347</sup>

The Wassenaar Arrangement is a forum for the discussion, harmonization, and publication of policies on dual-use goods and technologies. During the meeting, the group adopted the document “Best Practices Guidelines on Internal Compliance Programmes for Dual-Use Goods and Technologies,” and amended several of its control lists.<sup>2348</sup> However, given the fact that there is no information available on EU legislation adopting these changes, this cannot count towards the EU’s final compliance score.

On 20 June 2011, the European Commission released a Green Paper for the purpose of gathering public input on the current export control framework on dual-use materials, and on plans for the

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<sup>2342</sup> Iran: New EU Sanctions Target Sources of Finance for Nuclear Programme, Council of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/127444.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127444.pdf).

<sup>2343</sup> Council Decisions 2012/35/CFSP, Official Journal of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012. [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF).

<sup>2344</sup> Council Decisions 2012/35/CFSP, Official Journal of the European Union (Brussels) 23 January 2012. Date of Access: 2 May 2012. [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:019:0022:0030:EN:PDF).

<sup>2345</sup> Notice to Exporters – 2012/18 – New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No. 267/2012, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 1 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2346</sup> Notice to Exporters – 2012/18 – New and Amended Non-Proliferation Sanctions against Iran – Council Regulation (EU) No. 267/2012, Department for Business Innovation and Skills (London) 27 March 2012. Date of Access: 1 May 2012. <http://www.iranwatch.org/government/UK/documents/uk-bis-noticetoexporters-032712.pdf>.

<sup>2347</sup> Public Statement: 2011 Plenary Meeting, Wassenaar Arrangement (Vienna) 14 December 2011. Date of Access: 25 January 2011.

<http://www.wassenaar.org/publicdocuments/2011/WA%20Plenary%20Public%20Statement%202011.pdf>.

<sup>2348</sup> Public Statement: 2011 Plenary Meeting, Wassenaar Arrangement (Vienna) 14 December 2011. Date of Access: 25 January 2011.

<http://www.wassenaar.org/publicdocuments/2011/WA%20Plenary%20Public%20Statement%202011.pdf>.

progressive regulatory reform of the export control system.<sup>2349</sup> The Green Paper stresses that export controls will continue to change due to such factors as new security threats and technological advances.<sup>2350</sup> However, the EU has not yet followed through with new legislation, and so this action cannot count towards its final compliance score.

From 23-24 June 2011, the European Commission participated as an observer in the 21<sup>st</sup> Plenary Meeting of the Nuclear Suppliers Group (NSG).<sup>2351</sup> The conference brought together 46 states, including all G8 states that hold EU membership, to discuss methods of preventing “the proliferation of nuclear weapons through the implementation on a national basis of export controls for nuclear and nuclear-related material, ‘dual use’ material, equipment, software and technology, without hindering international cooperation on peaceful uses of nuclear energy.”<sup>2352</sup> The NSG agreed to strengthen its guidelines on the transfer of sensitive enrichment and reprocessing technologies.<sup>2353</sup> However, given the fact that states must voluntarily abide by the regulations of the NSG,<sup>2354</sup> this cannot count as an action included in the EU’s final compliance score.

In March 2012, EU representatives attended the 2012 Seoul Nuclear Security Summit.<sup>2355</sup> The basic objective of the Summit was to promote the “strengthening [of] nuclear security to prevent nuclear materials from being misused by terrorist groups.”<sup>2356</sup> Thus, the EU has been awarded a score of +1 for its sanctions to guard against proliferation financing and export control policies.

*Analysts: Jim Robson and Sarah Beard*

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<sup>2349</sup> The Dual-Use Export Control System of the European Union: Ensuring Security and Competitiveness in a Changing World, European Commission (Brussels) 30 June 2012. Date of Access: 26 January 2012. [http://trade.ec.europa.eu/doclib/docs/2011/june/tradoc\\_148020.pdf](http://trade.ec.europa.eu/doclib/docs/2011/june/tradoc_148020.pdf).

<sup>2350</sup> The Dual-Use Export Control System of the European Union: Ensuring Security and Competitiveness in a Changing World, European Commission (Brussels) 30 June 2012. Date of Access: 26 January 2012. [http://trade.ec.europa.eu/doclib/docs/2011/june/tradoc\\_148020.pdf](http://trade.ec.europa.eu/doclib/docs/2011/june/tradoc_148020.pdf).

<sup>2351</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 26 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2352</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 26 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2353</sup> NSG Public Statement, Nuclear Suppliers Group (Noordwijk) 24 June 2011. Date of Access: 26 January 2012. <http://www.nuclearsuppliersgroup.org/Leng/PRESS/2011-06-Public%20statement%202011%20NSG%20v7%20-%20final.pdf>.

<sup>2354</sup> The Nuclear Suppliers Group (NSG) at a Glance, Arms Control Association (Washington). Date of Access: 1 May 2012. <http://www.armscontrol.org/factsheets/NSG>.

<sup>2355</sup> Key Facts on the 2012 Seoul Nuclear Security Summit, 2012 Seoul Nuclear Security Summit (Seoul). Date of Access: 1 May 2012. [http://www.thenuclearsecuritysummit.org/eng\\_media/press/press\\_view.jsp?oCmd=6&b\\_code=1&idx=304&rnum=1&f\\_gubun=0](http://www.thenuclearsecuritysummit.org/eng_media/press/press_view.jsp?oCmd=6&b_code=1&idx=304&rnum=1&f_gubun=0).

<sup>2356</sup> Overview, 2012 Seoul Nuclear Security Summit (Seoul) March 2012. Date of Access: 30 April 2012. [http://www.thenuclearsecuritysummit.org/eng\\_info/overview.jsp](http://www.thenuclearsecuritysummit.org/eng_info/overview.jsp).