

Opening Statement
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“Oversight of U.S. Sanctions Policy”
House Foreign Affairs Committee
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Chairman Royce, Ranking Member Engel, and members of the Committee, thank you for the opportunity to speak with you today about the Administration’s sanctions policy. As the head of the Bureau of Economic and Business Affairs at the State Department, I will address, from a foreign policy perspective, how the Trump Administration is employing sanctions as a critical component of our national security. The State Department works closely with our allies and partners to ensure that diplomatic pressure is applied with strength, unity and consensus.

The President’s National Security Strategy declares that we will “deploy economic pressure on security threats” and “we will use existing and pursue new economic authorities and mobilize international actors to increase pressure on threats to peace and security in order to resolve confrontations short of military action.”

Sanctions are a central component of our economic pressure strategies. When utilized effectively, they are a significant source of power which can be used to shape the behavior of rogue regimes and malicious global actors.

This Administration has expanded and strategically deployed our sanctions authorities in response to a wide array of destructive activity around the world. We appreciate the opportunity to work with Congress to shape and craft these authorities in a manner which will support American national security objectives.

RUSSIA

Russia poses a threat to our national security on many fronts. Our sanctions have imposed substantial costs on Vladimir Putin and the Russian government, and serve to deter the nefarious activities under his regime.

We have witnessed Russian aggression globally, threatening our partners and allies, threatening our very own democratic process here at home. U.S. sanctions are intended to heighten the pressure on Putin and impose costs in response to Russian malign activities worldwide. Secretary Pompeo has stated that our goal is to “steadily raise the costs of aggression until Vladimir Putin chooses a less confrontational foreign policy, while keeping the door open for a dialogue in our national interest.”

Specifically, the Trump Administration has sanctioned a total of 229 individuals and entities for their involvement in Russia’s malign activities. Notably, 136 of these designations were imposed under Ukraine-related sanctions authorities codified by the Countering America’s Adversaries through Sanctions Act, or CAATSA. The Administration has also relied on a broad range of other tools, including the Sergei Magnitsky Rule of Law Accountability Act, the Global

Magnitsky Human Rights Accountability Act, cyber-related sanctions and transnational criminal organization sanctions. These actions have sent a stark message that those who support election interference, aggression against other countries, human rights abuses, and other malign activity will suffer severe consequences.

We assess that our sanctions, cumulatively, have cost the Russian government tens of billions of dollars, on top of a broader impact on state-owned sectors and a chilling effect overall on prospects for the Russian economy. We have targeted some of Russia's most prominent companies, including: Rosoboronexport, Russia's primary state-owned weapons trading company; EuroSibEnergo, one of the largest power companies in Russia; and Surgutneftegaz, a major Russian oil company. We have also targeted some of Putin's closest associates, along with the heads of major state-owned banks and energy firms. In targeting these Russian individuals and entities, we have made clear that those who continue to do business with them do so at their own risk. This has led companies around the world to distance themselves from sanctioned persons and entities, further increasing an unprecedented level of financial pressure on key sectors of Russia's economy and those who support the Kremlin's destructive activities. The Putin regime is currently suffering real costs and these costs will steadily increase until it stops its aggression.

Russia is just as grave a threat to our European allies and other partners -- from conducting targeted chemical weapons assassinations in the UK to using energy as a weapon. We are actively engaging our transatlantic allies to seek a resolute, strong, and unified approach. The Administration has made clear that there will be no relief from Eastern Ukraine-related sanctions until Russia meets its commitments under the Minsk agreements, and Crimea-related sanctions will remain in place until Russia returns control of the Crimean peninsula to Ukraine.

IRAN

Another nefarious regime where economic penalties are a key tool to force behavioral change is Iran. Sanctions on the Iranian regime have crippled their economy by preventing access to the global financial system and deterred companies from investing in Iran and enhancing that country's capacity to destabilize.

On May 8, President Trump announced that the United States was ceasing its participation in the Joint Comprehensive Plan of Action (JCPOA). The flawed deal failed to protect America's national security interests while enriching the Iranian regime and enabling its malign behaviors.

Secretary Pompeo has formed an Iran Action Group and outlined 12 changes we seek in Iranian behavior:

- 1) Iran must declare to the IAEA a full account of the prior military dimensions of its nuclear program, and permanently and verifiably abandon such work in perpetuity.
- 2) Iran must stop enrichment and never pursue plutonium reprocessing. This includes closing its heavy water reactor.

- 3) Iran must also provide the IAEA with unqualified access to all sites throughout the entire country.
- 4) Iran must end its proliferation of ballistic missiles and halt further launching or development of nuclear-capable missile systems.
- 5) Iran must release all U.S. citizens, as well as citizens of our partners and allies, each of them detained on spurious charges.
- 6) Iran must end support to Middle East terrorist groups, including Lebanese Hizballah, Hamas, and the Palestinian Islamic Jihad.
- 7) Iran must respect the sovereignty of the Iraqi Government and permit the disarming, demobilization, and reintegration of Shia militias.
- 8) Iran must also end its military support for the Houthi militia and work towards a peaceful political settlement in Yemen.
- 9) Iran must withdraw all forces under Iranian command throughout the entirety of Syria.
- 10) Iran must end support for the Taliban and other terrorists in Afghanistan and the region, and cease harboring senior al-Qaida leaders.
- 11) Iran must end the IRGC-Qods Force's support for terrorists and militant partners around the world.
- 12) Iran must end its threatening behavior against its neighbors. This certainly includes its threats to destroy Israel, and its firing of missiles into Saudi Arabia and the United Arab Emirates.

The Trump Administration has formulated a comprehensive strategy to address the broad range of the Iranian regime's malign behavior and work toward the above outlined changes. Teams from the State Department and the Treasury Department have now visited over 30 countries around the world engaging with partners and allies to discuss our reasons for JCPOA withdrawal and the effects of sanctions snapback.

During these visits, we have engaged representatives of the private sector, making clear that pursuing sanctionable business with Iran will come at the cost of doing business with the United States and access to the U.S. financial system. Further, we have underscored our goal of reducing every country's import of Iranian oil to zero by November 5, and we are prepared to work with countries that are actively engaged in reducing their imports on a case-by-case basis.

To compel Iran to change its behavior, we are putting in place some of the strongest sanctions in history. The first step is the re-imposition of sanctions that were lifted or waived in accordance with the flawed JCPOA. Some of those, including sanctions on Iran's trade in gold, sanctions on the sale, supply, or transfer to or from Iran of certain metals, sanctions related to the Iranian rial and sanctions on Iran's automotive sector, are back in place already. We are in the

process of re-imposing other sanctions that will come into effect on November 5, including those on Iran's energy sector, port operators, shipping and shipbuilding sectors and on the Central Bank of Iran and other designated Iranian financial institutions.

The Iranian regime has a choice to make - either come to the table to resolve these issues diplomatically or face unrelenting economic pressure. If Iran demonstrates a commitment to make the fundamental desired changes in its behavior, we are prepared to consider easing the pressure of sanctions. In the meantime, we will continue to cooperate with our international partners in confronting the challenges posed by Iran.

NORTH KOREA

Regarding North Korea, our severe economic pressure continues and has yielded the outcome of the first meeting between a North Korean leader and a U.S. President. The Trump Administration is committed to the final, fully verified, denuclearization of North Korea, as agreed to by Chairman Kim Jong Un. Secretary Pompeo has an unwavering commitment to this result.

Any premature relief of economic pressure will diminish the opportunity for the peaceful denuclearization of the DPRK. Until then, we are working with our allies and partners to maintain economic pressure.

The Administration has a number of sanctions authorities that apply to the DPRK. We have used these authorities to target the DPRK's access to technology and equipment used to support its WMD and missile programs, disrupt the regime's access to revenue, and hold North Korea accountable for its widespread human rights abuses. As our sanctions have expanded over time, and we have used these measures to designate third country individuals and entities for their support to North Korea's illicit activities.

Executive Order 13810, issued on September 21, 2017, authorized powerful sanctions, including secondary financial sanctions, meaning we can cut off from the U.S. financial system and/or block the property of any foreign financial institution that knowingly facilitates transactions in connection with trade with North Korea or knowingly facilitates transactions on behalf of certain designated persons.

To date, the Administration has rolled out fourteen tranches of North Korea-related designations, sanctioning a total of 78 individuals, 92 entities, and numerous vessels in response to North Korea's ongoing development of weapons of mass destruction, continued violation of United Nations Security Council resolutions (UNSCRs), and serious human rights abuses.

Leverage on the DPRK is grounded in the international commitment to maintain both economic and diplomatic pressure. With each sanctions action taken, we demonstrate our resolve on this principle. Along with our domestic sanctions, we have insisted that other countries continue to maintain similar pressure on the DPRK to show that the international community will not accept its malicious, unlawful nuclear and ballistic missile programs. We have urged all United Nations member states to take firm action in applying pressure on the DPRK, including at

a minimum, full implementation of all relevant UNSCRs. International solidarity and continued pressure are imperative until the DPRK denuclearizes.

VENEZUELA

Turning to the Western Hemisphere, in Venezuela the use of sanctions to address the Maduro regime's authoritarian rule and economic mismanagement; sanctions against the corrupt Venezuelan government remain a top regional priority for the Trump Administration. We are working with countries throughout the Hemisphere as well as with the European Union, to support an international approach to help the Venezuelan people find a peaceful, democratic, and comprehensive solution to its current crises. We are using sanctions to address the Maduro regime's undermining of democratic institutions, abuses of human rights, and rampant endemic corruption.

Since May of 2017, the Trump Administration has undertaken eight rounds of targeted sanctions actions, leading to the designation of 52 individuals and three entities. In tandem with these measures, the President has issued three new executive orders that place careful and concerted economic pressure on the Maduro regime to further prevent it from misusing the U.S. financial system to support its rule. We are bringing the full weight of American economic and diplomatic power to bear to help create the conditions for the restoration of democracy for the Venezuelan people.

GLOBAL MAGNITSKY

Let me also note the Administration's commitment to fully implement the Global Magnitsky Human Rights and Accountability Act. We launched this program in December of 2017 to target serious abuses of human rights and corrupt actors worldwide. Less than a year later, the Administration has designated 84 persons. In the last several months, we have used Global Magnitsky to respond to extrajudicial killings in Nicaragua, the ethnic cleansing in Burma, and human rights abuse in Turkey.

This tool advances the best of America's values abroad. My Bureau of Economic and Business Affairs has sent representatives to nine countries and to the EU on multiple outreach efforts to advance Congress's direction in getting partner nations to implement measures similar to Global Magnitsky. We have found friends and champions in our effort to see a similar authority implemented elsewhere and have established close coordination with other partners already holding similar authorities.

CONCLUSION

I have discussed a few examples from the many actions the Trump Administration has taken to utilize sanctions pressure as an instrument of powerful diplomacy. We look forward to continuing to work with you to ensure that sanctions remain an effective tool which work in the interest of American national security.