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OVERSIGHT OF U.S. SANCTIONS POLICY

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HOUSE OF REPRESENTATIVES

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OVERSIGHT OF U.S. SANCTIONS POLICY

THURSDAY, SEPTEMBER 13, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Edward Royce (chairman of the committee) presiding.

Chairman ROYCE. If the witnesses and members would all take your seats at this time. This is a hearing on oversight of U.S. sanctions policy, and this morning the committee continues to examine the administration's use of sanctions authorized by Congress to address threats from hostile states including Iran, North Korea, and Russia.

As I noted at our last hearing, no matter how tough the language of our sanctions bills, they are only as strong as their enforcement.

That's why I am glad we are joined today by two administration officials directing our teams on the front lines of this fight.

Assistant Secretaries Singh and Billingslea, your assessments and your leadership are critical here. I know I speak for all the members of this committee in saying that I appreciate the magnitude of the threats you deal with every day in your position.

But the question is, are we doing enough? Congress has acted in a bipartisan way to provide the administration with new tools to combat and disrupt and deter those who would do America harm.

The Countering America's Adversaries Through Sanctions Act, which was authored by myself and Mr. Eliot Engel, empowered the administration with some of the most potent weapons yet.

And to its credit, the administration has acted. Since January 2017, more than 200 Russian individuals and entities have been designated for sanctions under CAATSA and other existing laws. Hundreds of millions of dollars in assets have been blocked.

That said, we should be doing more—we should be doing more to hold Putin accountable for his aggressive acts, including attacks on our democracy.

The administration should use authorities included in Section 228 of CAATSA to cast a wider net. Those still engaged in significant business with designated Russian individuals and entities need to pay a price, as the law prescribes.

We cannot expect Vladimir Putin and his corrupt associates to change their behavior in Syria, in Ukraine, or anywhere else until we prove we will hold them to account.

I can't understand why action has not been taken, for example, against the Russian entities that provide material support to Iran's Mahan Air.

This sanctioned Iranian airline reportedly transports weapons and personnel to Syria and still maintains routes with St. Petersburg and with Moscow.

We should be examining and designating the Russian individuals and companies that support Mahan with maintenance, with ticket services, with cargo sales, and with more, and this is low-hanging fruit.

In the months ahead, the committee will continue to work with the administration on this and other sanctions policy, including implementation of the Executive order announced yesterday regarding election interference, and we'll be watching to see that another tranche of sanctions is imposed against Russia later this year for its use of a military-grade nerve agent on British soil in March.

Putin will certainly be looking for any signs that the U.S. is wavering. And that goes for North Korea, too. I'm very concerned that our maximum pressure campaign is faltering.

Kim appears to be using talks, as he has time and time again, to probe for weaknesses and to buy time. When our messages are confusing or contradictory, we shouldn't be surprised when others, like Beijing, reportedly resume importing North Korean coal.

Sanctions are not a silver bullet. They don't work alone or instantly. They are best done with others. They can be overdone, harming the wrong people.

But when deployed thoughtfully and deployed consistently, with maximum pressure on those entities, sanctions are powerful diplomatic tools.

Our goal here is to leverage America's economic might to peacefully and effectively counter urgent threats to our national security. If we are going to succeed, the administration needs to fully utilize the tools that Congress has provided.

With that said, I think we will go to an introduction of the witnesses, and I think Mr. Engel intended to make an opening statement but if you would like, Mr. Sherman, I will defer to you when he arrives. He's——

Mr. SHERMAN. As long as he has his time to give an opening statement when he arrives that's——

Chairman ROYCE. He certainly does. I've communicated that. He is stuck in traffic at this moment.

So we will go now to an introduction of our witnesses. So I am pleased to welcome Ms. Manisha Singh, Assistant Secretary of State for Economic and Business Affairs, and Mr. Marshall Billingslea, Assistant Secretary of the Treasury for Terrorist Financing, to the committee here today.

Manisha Singh has been serving in her post since November 2017. Previously, she served as the Deputy Assistant Secretary in the Bureau of Economic, Energy, and Business Affairs and as deputy chief counsel to the Senate Committee on Foreign Relations.

Marshall Billingslea has been serving in his post since June 2017 and prior to his current role, Mr. Billingslea was the managing director at Deloitte Financial Advisory Services. He has held multiple

positions within the Department of Defense and Department of State, and we appreciate both of them being here with us today.

Without objection, the witnesses' full prepared statement is going to be made part of the record. Members here are going to have 5 calendar days to submit any statements or any additional questions to you or any extraneous materials for the record.

So, if you would, Ms. Singh, please summarize your remarks. We will begin with you.

STATEMENT OF THE HONORABLE MANISHA SINGH, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. SINGH. Thank you.

Chairman Royce, Ranking Member Engel, and members of the committee, thank you for the opportunity to speak with you today regarding 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.

President Trump's national security strategy declares that we will deploy economic pressure on security threats and that 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.

We appreciate the opportunity to work with Congress to shape and craft these authorities in a manner which will achieve American national security objectives.

Russia poses a threat to our national security on many fronts. Our sanctions programs have imposed substantial costs on Vladimir Putin 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 and curb Russian destructive activities worldwide. Specifically, the Trump administration has sanctioned a total of 229 individuals and entities for their involvement in Russia's dangerous behavior.

Notably, 136 of these designations were imposed under sanctions authorities codified by CAATSA. These actions have sent a stark message that those who support election interference, human rights abuses, and other malign activity will suffer severe consequences.

Another nefarious regime where economic penalties are a key tool to force behavioral change is Iran. Sanctions on the Iranian regime have crippled their government by preventing access to the global financial system and by deterring its capacity to destabilize.

On May 8th, President Trump announced that the U.S. was ceasing its participation in the flawed Joint Comprehensive Plan of Action. Secretary Pompeo has formed an Iran action group and out-

lined 12 specific changes in Iranian behavior, which are detailed in my testimony for the record.

Teams from the State Department and the Treasury Department have now visited over 30 countries around the world, engaging with our partners and allies on a new strategy for dealing with Iran.

The Iranian regime has a choice to make—either come to the table to resolve these issues diplomatically or face unrelenting economic pressure.

If we see the fundamental desired changes in behavior, only then will be consider easing the pressure of sanctions.

Turning to 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 working toward a complete verifiable irreversible denuclearized North Korea. Secretary Pompeo has an unwavering commitment to this result.

The administration has a number of sanctions authorities that apply to the DPRK. These authorities limit its access to technology and equipment that could be used to support its WMD and missile programs and hold the regime accountable for its widespread human rights abuses.

We have urged all United Nations members states to take firm action in applying pressure to the DPRK. International solidarity and continued pressure are imperative until the DPRK denuclearizes.

Turning to the Western Hemisphere, in Venezuela we are using sanctions to address the Maduro regime's authoritarian rule. Our goal is to create the conditions for restoration of democracy in the interest of the Venezuelan people.

Let me also note the administration's commitment to fully implement the Global Magnitsky Human Rights and Accountability Act, which advances the best of America's values abroad.

I've listed 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.

I'd be happy to answer any questions you might have.

[The prepared statement of Ms. Singh follows:]

Opening Statement
Manisha Singh, Assistant Secretary of State for Economic and Business Affairs
"Oversight of U.S. Sanctions Policy"
House Foreign Affairs Committee
September 13, 2018

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.

Chairman ROYCE. Thank you, Ms. Singh.

We'll go now to Mr. Billingslea.

STATEMENT OF THE HONORABLE MARSHALL BILLINGSLEA, ASSISTANT SECRETARY, OFFICE OF TERRORIST FINANCING AND FINANCIAL CRIMES, U.S. DEPARTMENT OF THE TREASURY

Mr. BILLINGSLEA. Thank you, Chairman, members of the committee. It's great to be back here with the committee today to discuss how the Treasury Department is using our authorities in support of our national security strategy and our foreign policy.

It's a broad waterfront to cover. We are talking about Iran, North Korea, and Russia, among many other topics today, and so I will attempt to touch on each of these briefly.

Each of these countries poses its own unique particular challenge to the United States and our allies in the international order but there are some common threads that link the three together.

Iran is the world's leading sponsor of terrorism and they continue to fund groups such as Hezbollah and Hamas and they bankroll the Syrian regime's slaughter of its people while continuing to advance their own missile program and sow regional instability.

Russia, on the other hand, is providing weaponry and defense material to Iran and extensive support to the Syrian regime that enables Assad's brutal targeting of his own citizens, and further, Russia continues its occupation of Ukraine and Crimea and subversion of Western democracies and it remains a very permissive environment for North Korean procurement efforts to circumvent the U.N. Security Council's resolutions and our own actions.

And then, of course, North Korea continues to attempt to evade international sanctions and pressure and has not yet abandoned its weapons of mass destruction or missile programs.

So on the one hand, all three of these countries use similar tactics to exploit the global financial system, particularly as they establish an employee front and shell companies they try to mask the origin of the beneficial ownership associated with illicit flows and to disguise the nature and the intent behind certain transactions.

And, very importantly, all three collude with one another in an effort to blunt the effectiveness of our actions. But, on the other hand, these three countries are very dissimilar in terms of the size of their respective economies and the extent to which they have businesses intertwined with global supply chains and in the degree to which their financial sectors are connected to the global system.

And for these various reasons, our sanctions programs have to be nuanced and have to be tailored to address each of these challenges.

I am going touch briefly on all three countries. First, on Iran—as the Assistant Secretary of State mentioned, the President's decision on May 8 has now set in motion the reimposition of a wide range of sanctions, and this is occurring over a 180-day period that were structured in two phases, and the intent here was to give businesses—global businesses a chance to wind down their business operations with the Iranians prior to the full imposition of sanctions of November 4.

On November 4, we will reimpose far-reaching sanctions on Iran's energy and shipping sectors and on foreign financial institutions that conduct business with the Central Bank of Iran and other designated Iranian banks, and we are going to very aggressively enforce these authorities.

Mr. Chairman, you mentioned in your opening comments Mahan Air and I could not agree with you more. It's not just Mahan flying. Mahan is the airline of choice for the Quds Force. When they want to move weaponry, money, foreign fighters, Mahan Air is by and large the airline they select for these operations. It's their covered air asset program.

We need to go after Mahan and we are going after general service providers and third parties, imposing secondary sanctions. You mentioned Section 228. Secondary sanctions are a very powerful tool and we have begun designating companies that foolishly remain intertwined with Mahan Air.

We did so in the case of Malaysia. Other actions are imminent. I also find it objectionable that certain countries who are close partners of ours who are threatened by the Iranians continue to allow Mahan to fly into their cities in the Middle East, and so this is a matter we very much see eye to eye on and we will continue to target.

Our efforts, together with Iranian economic mismanagement and corruption, are already generating results and I show for the committee here today I think one of the most important financial metrics to keep your eye on in the coming days and that is the value of the Iranian rial as compared to the U.S. dollar.

We have never seen a precipitous drop like this in the history of our sanctions programs on Iran. The Iranian rial is now trading somewhere around 140,000 to the dollar. It's lost more than two-thirds of its value, and why this is important is that the Supreme Leader has got to make a choice.

He can either take his scarce dollars and euros as hard currency to prop up his rial or he can continue to allow Qasem Soleimani and the Quds Force to loot the Central Bank, to divert money—$700 million a year they give to Hezbollah alone. But they can't have it both ways. He's got to make a choice and we intend to force him into that decision.

Very briefly, turning to Russia, the Assistant Secretary has summarized our actions on Russia. We have sanctioned 212 Russia-related individuals and entities and we have targeted key sectors of their economy.

On April 6th, we designed seven of the big fish oligarchs. These are individuals that the previous administration was unwilling to touch. But we did reach out and touch them in a very clear fashion and our actions have undeniably been felt. When we took that action, the Russian stock market experienced its biggest plunge in 4 years and the ruble still has not recovered its value. Oleg Deripaska, one of the elites who serves as a major proxy for the malign activities of the Kremlin, has seen his estimated net worth cut in half. Others, like Viktor Vekselberg, have lost $3 billion as a result of our actions.

On North Korea, I have to assure you, Mr. Chairman, we are not faltering on the economic pressure campaign. We are not stepping away from this one iota.

The pressure is on and we continue to ramp up pressure to combat North Korean efforts to evade sanctions. We are very focused on deceptive shipping practices in particular and ship-to-ship transfers of oil and coal to get around the U.N. Security Council's embargoes on those products, and we have—you will have seen since August that nearly every single week we are targeting entities involved in helping the North Koreans evade these sanctions.

In fact, today we are issuing designations just about now at this moment on a number of entities that are employing North Korean slave labor in the IT sector, and these companies are located in Russia and China but we have in recent days designated a Russian bank for facilitating trade with the North Koreans. We designated a port operator that was willingly helping circumvent the shipping sanctions, and so on.

So we will continue this economic pressure campaign until denuclearization is achieved.

Mr. Chairman, in conclusion, my written testimony contains a great deal of additional details. I am pleased that you incorporated that in the record and I look forward to answering all questions from the committee.

[The prepared statement of Mr. Billingslea follows:]

Opening Remarks by Assistant Secretary of the Treasury Marshall Billingslea before the House Committee on Foreign Affairs

Chairman Royce, Ranking Member Engel, and distinguished Members of the Committee, I am pleased to appear before the Committee today to discuss how the Treasury Department is using the full range of its authorities and tools to address three unique – yet in many ways related – challenges in Iran, Russia, and North Korea.

Each of these countries poses its own particular challenge to the United States, our allies, and the international order, yet there are also common threads linking them together. Iran, the world's leading state sponsor of terrorism, continues to fund groups like Hizballah and Hamas and bankroll the Syrian regime's slaughter of its people, while advancing its missile program and sowing regional instability. Russia provides weaponry and defense materiel to Iran, and extensive support to the Syrian regime enabling Assad's brutal targeting of his own citizens. Further, Russia continues its occupation of Ukraine and Crimea and subversion of Western democracies, and remains a permissive environment for North Korean procurement efforts and circumvention of United Nations (UN) Security Council resolutions. Finally, North Korea continues to evade international sanctions and has not yet abandoned its weapons of mass destruction and missiles programs.

On the one hand, all three countries use some similar tactics to exploit the global financial system, particularly by establishing and employing front and shell companies to mask the origin and beneficial ownership of illicit financial flows, to disguise the nature of – and intent behind – transactions.

But on the other hand, these three countries are dissimilar in terms of size of their respective economies, the extent to which they have businesses intertwined within global supply chains, and in the degree to which their financial sectors are connected to the global system.

For these various reasons, our Iran, Russia, and North Korea sanctions programs are among our most active and complex. To account for the differences in challenges we face, under the leadership of Secretary Mnuchin and Under Secretary Mandelker, we have developed tailored strategies to employ the full suite of Treasury's powerful tools and authorities to maximum effect. This also means that in every case, we must closely examine and take into account each country's distinct economic characteristics in addition to our broader foreign policy and national security objectives to ensure that the financial impact we seek is achieved, our national security objectives served, and disruption to the supply chains of friendly nations is minimized and international cohesion is maintained to the maximum extent practicable.

Beyond sanctions, Treasury possesses multiple other tools and authorities that are used in conjunction with sanctions actions by the Office of Foreign Assets Control (OFAC). This includes reporting and analysis of financial intelligence provided by U.S. financial institutions, Financial Crimes Enforcement Network (FinCEN) authorities under the Bank Secrecy Act and USA PATRIOT Act, extensive private sector engagement both at home and abroad, and financial diplomacy conducted globally by our attaché offices and the Office of Terrorist Financing and Financial Crimes. On a daily basis, we work bilaterally and multilaterally to

strengthen the anti-money laundering/countering the financing of terrorism (AML/CFT) regimes worldwide, including with those countries exposed to Iranian, Russian, and North Korean illicit financial flows.

Today I will share with you a brief overview of the steps Treasury has taken to counter each challenge. Across all of our efforts, we have been clear and consistent in our message; we have left no doubt as to why we are imposing sanctions, and what changes we expect. These are all complex and highly dynamic issues, and we continuously refine and adapt our approach to each problem against the ever-evolving nature and manifestation of the threat. As we have demonstrated, we will continue to tailor the use of our financial tools as necessary, in close coordination with all of our interagency partners.

Iran

The President's decision on May 8 has now set in motion the reimposition of a wide range of sanctions. These measures are designed to greatly reduce Iran's capacity to continue its malign activities, including its support for terrorism, its aggressive development of ballistic missiles and proliferation of missiles to militant groups such as the Houthis in Yemen, and negotiate a new more comprehensive deal to replace the fatally flawed Joint Comprehensive Plan of Action (JCPOA).

The U.S. nuclear-related sanctions on the Iranian regime that were relieved under the JCPOA are being reimposed in two phases. We structured this process to occur over a 180-day period to allow for the global business community to wind down any transactions initiated before our withdrawal from the JCPOA that would be prohibited after the reimposition of sanctions. On August 6, the first phase of sanctions reimposition occurred, with the President's issuance of Executive Order (E.O.) 13846 reimposing relevant provisions of the E.O.s that were revoked or amended on JCPOA Implementation Day in January 2016.

As of August 7, sanctions came back into full effect on:

(i) the acquisition of U.S. dollar banknotes by the Government of Iran;
(ii) Iran's trade in gold and precious metals;
(iii) the provision of graphite, raw or semi-finished metals, and software for integrating industrial processes;
(iv) transactions related to the Iranian rial;
(v) activities related to the issuance of Iranian sovereign debt; and
(vi) Iran's automotive sector.

Once the second phase ends on November 4, 2018, we will reimpose the remaining sanctions that were lifted under the JCPOA. These sanctions include far-reaching sanctions on Iran's energy and shipping sectors, and on foreign financial institutions conducting transactions with the Central Bank of Iran and designated Iranian banks. We will aggressively enforce these authorities. We intend to hold Iran accountable for its lethal and destabilizing actions, and to leave no doubt that it must return to the negotiating table.

In addition to these actions, under this Administration Treasury has issued 17 rounds of sanctions, designating 145 Iran-related persons for a range of activities related to terrorism,

proliferation, and human rights abuses, and to thwart Iran's exploitation of the global financial system.

For instance, a major focus of our efforts is Mahan Air, an airline that provides material support to the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF), which was designated under our counter-terrorism authorities. Via this airline, the Iranian regime attempts to covertly move weapons and explosives, terrorists and other fighters, and cash in support of regional malign activities. These activities have fueled Iran's proxies, such as Hizballah, and have given additional aid to the murderous Assad regime in Syria. In July, we designated Mahan Travel and Tourism, a Malaysia-based General Sales Agent (GSA), which is Mahan Air's sole GSA in Kuala Lumpur, Malaysia, and provides reservation and ticketing services for Mahan Air. We will continue targeting individuals and entities supporting Mahan Air, and we are warning airport operators and GSAs, whether in Europe, Asia, or the Middle East, that if they continue to transact with Mahan, they are at risk of our sanctions.

We are also working to disrupt and expose Iran's abuse of the international financial system. In May, for example, we sanctioned the then-Governor of the Central Bank of Iran (CBI) and the assistant director of the CBI's International Department for conspiring with the IRGC-QF to conceal the movement of millions of dollars to enrich and support Hizballah. Likewise, we targeted a currency exchange network that Iran was using in Iran and the UAE to procure and transfer millions of U.S. dollars to the IRGC-QF, again facilitated by the CBI. We simultaneously worked with the Government of Iraq to take action against the operations of a major bank that was deeply involved in routing money on behalf of the IRGC-QF to terror networks. This is just one example of how Treasury used a combination of sanctions and financial diplomacy to disrupt a significant terror financing network through close collaboration with partner nations.

We are also wielding our authorities to go after Iran's human rights abuses. We've designated Ansar-e Hizballah, which has been involved in the violent suppression of Iranian citizens; the head of Iran's judiciary, who facilitated torture and cruel and inhumane treatment of prisoners; and, human rights abusers at Evin Prison, where prisoners are subject to brutal tactics inflicted by prison authorities.

As we reimpose sanctions on Iran for its destabilizing behavior, we enjoy strong support from friends and allies throughout the Middle East and North Africa. Those countries who bear the brunt of Iranian malign activities have been outstanding partners in helping us reimpose costs on the regime in Tehran. An excellent example of this is the Terrorist Financing Targeting Center (TFTC) based in Riyadh, Saudi Arabia. Through the TFTC this spring, we achieved the unprecedented multilateral designation of members of Hizballah's Shura Council. We also partner closely with our ally Israel to cooperate on threats posed by Iran and Hizballah, and on a number of other counterterrorism initiatives. Additionally, we have had important cooperation from a number of countries which have either initiated their own disruptions of Iranian proxy groups or followed up on U.S. efforts. Many countries around the world, and particularly those in the region, agree with us that Iran's deadly activities cannot go unchecked. We are grateful for their steadfast support.

To continue to galvanize international efforts to constrain Iran, the Treasury and State Departments have deployed delegations around the world. We have visited over 30 countries for the express purpose of highlighting Iran's malign activities and to explain the rationale for reimposing sanctions; I personally have been to 13 countries as part of this effort, and Treasury leadership has had countless additional conversations with our foreign counterparts on this topic.

In addition to talking with governments, during these engagements we also delivered direct messages to the private sector detailing how Iran is involved in extensive illicit business activities, including using front and shell companies, counterfeiting currency, and cyberattacks to fund their support for terrorism. We continue to urge companies around the globe to toughen their financial networks and conduct extra due diligence to prevent them from being caught in Iran's deceitful web. Our engagements have highlighted the very real risks of conducting business with companies and people in Iran, as those engaging in prohibited business with Iran will be held to account.

Treasury's efforts are already generating results. In recent months, we have seen evidence of our economic pressure taking hold. Since April, the Iranian rial has lost more than two-thirds of its value. While the Iranian regime continues to maintain an official exchange rate of 42,000 rials per U.S. dollar, the true market rate is closer to 140,000 (as of September 5, 2018), and we see it continue to drop further on a nearly daily basis. We've welcomed our partners' efforts to wind down imports of Iranian crude oil ahead of the November deadline and encourage others to follow suit. Foreign direct investment and business activity within Iran is also decreasing as the private sector recognizes the risk of doing business with Iran. Approximately 100 international companies have indicated they will leave Iran, and we expect to see more follow in their footsteps.

However, let me be clear: Iran's own economic mismanagement is also responsible for its economic situation, as it is busy squandering its wealth through corruption and terrorism instead of prioritizing the Iranian people. For only the second time in the regime's nearly 40-year history, the Iranian President was called before the Iranian Parliament, the Majlis, to answer for the failure of the regime's economic policies. Instead of investing money wisely, the Commander of the IRGC-QF, Qasem Soleimani, travels far and wide – despite being subject to a United Nations travel ban – to spend extravagant amounts to fuel terrorism. The Iranian regime provides over $700 million per year to Hizballah alone – money that could be used to aid its ailing economy. Domestically, the IRGC has hijacked trillions of rials from legitimate use by the local government in Tehran: more than $5 billion of Tehran's municipal funds were unaccounted for during the IRGC's governance of the city, and tens of billions more are owed to the municipality by IRGC-owned and/or affiliated companies. Members of the Iranian Parliament also tried to cover up attempts to investigate this large scale corruption scheme.

The Iranian people deserve better. We urge the world to work with us to seek a better future for the Iranian people.

Russia

The Treasury Department has a clear understanding of the continued threat posed by Russia's wide-ranging malign activities. Russia's continuing occupation of Crimea, human rights abuses,

malicious cyberattacks, illicit procurement of sensitive defense and intelligence technologies, election interference and other influence efforts, as well as their support to the Assad regime's massacre of its own citizens, are unacceptable and demonstrate Russia's complete disregard for acting as a responsible member of the international community. Countering these threats is one of Treasury's top priorities, which is clearly evidenced by the actions we have taken to impose an unprecedented level of financial pressure against those working on behalf of the Kremlin and in key sectors of the Russian economy targeted by U.S. sanctions.

First, I will put the Russia challenge into context, especially as we also discuss Iran and North Korea. For decades, Russia has been developing complex and resilient networks to raise, transfer, hide, and obscure the origin and movement of proceeds generated through illicit financial activity, including corruption, sanctions evasion, and arms sales. This highly sophisticated system combines both state and non-state agents and proxies to extend its influence. As an example, Russian oligarchs leverage their wealth, international networks, and perceived status as legitimate businessmen to advance the Kremlin's malign agenda at home and abroad.

Russia, however, also stands apart from other countries subject to broad U.S. sanctions in several important ways, and we have tailored our approach accordingly. We cannot, for example, counter Russian aggression in the same way we approach countries like North Korea or Iran. Russia's economy is large and well-integrated into the global economy, international financial system, and global supply chains. North Korea and Iran, on the other hand, have been largely or almost entirely isolated from the global financial system for decades. Accounting for this stark contrast, we've surgically deployed Treasury tools to maximize pressure on Russia while minimizing unintentional spillovers to the United States, our European allies, and the global economy.

To discuss one particularly insightful example, a number of Russia's state-owned entities and oligarch-owned businesses are intricately integrated into global economies and supply chains, including those of some of our closest NATO allies. Despite these challenges, on April 6, we designated RUSAL, the second-largest producer and supplier of aluminum in the world, for being owned or controlled by EN+, which is owned or controlled by the Russian oligarch Oleg Deripaska. As a result of our designations, Deripaska's estimated net worth has dropped by more than 50%, and the share price of EN+ fell from $12.20 to $5.40 on the London Stock Exchange following its designation. On the same day, we also designated the oligarch Viktor Vekselberg, as well as other companies he owns or controls. Viktor Vekselberg's net worth has dropped an estimated $3 billion, foreign governments have launched investigations in response to his designation, and he has had assets frozen across multiple jurisdictions. Furthermore, Vekselberg's Renova Group was forced to divest from ventures in Switzerland and Italy.

Since January 2017, Treasury has sanctioned 212 Russian-related individuals and entities for a broad range of sanctionable conduct. Of those, 136 were designated under Ukraine/Russia-related sanctions authorities codified by the Countering America's Adversaries Through Sanctions Act, or CAATSA. We have aggressively targeted key sectors of the Russian economy, as Treasury has imposed blocking sanctions on 14 Russian banks and sectoral sanctions on 124 Russian financial institutions and 50% or more-owned subsidiaries. In the

energy sector, Treasury has imposed blocking sanctions on 20 Russian firms and sectoral sanctions on additional 80 Russian entities.

While our Russia sanctions program is among our most active, sanctions are not and cannot be the only tool on which we rely. The scale and sophistication of Russian malign activity is far more advanced than that of other states currently subject to broad U.S. sanctions. Accordingly, in certain circumstances, other tools will either complement or far more effectively advance our national security interests in countering Russian aggression.

As an example, as Treasury works aggressively to deter and prevent illicit Russian financial activity abroad, we are simultaneously protecting the U.S. financial system. On February 13, 2018, Treasury's FinCEN issued a finding pursuant to Section 311 of the USA PATRIOT Act that Latvia-based ABLV Bank AS (ABLV) was a financial institution of primary money laundering concern. In its public notice of proposed rulemaking, FinCEN cited multiple instances of institutionalized money laundering in which ABLV management solicited high-risk shell company activity that enabled the bank and its customers to launder funds. ABLV's facilitation of shell company activity typically benefitted illicit actors engaged in an array of illicit conduct, including transnational organized criminal activity, corruption, and sanctions evasion, emanating mostly from Russia and former Commonwealth of Independent States, but notably also for the benefit of the North Korean regime. The reporting of U.S. financial institutions of suspicious activity involving ABLV was important to FinCEN's understanding of the bank's AML and customer due diligence failures. Pursuant to this finding, FinCEN proposed the imposition of a prohibition on U.S. financial institutions from opening or maintaining correspondent accounts for, or on behalf of, ABLV. This action not only safeguards U.S. financial institutions, but effectively shuttered a key access point being exploited by illicit Russian actors to access the European and international banking system.

North Korea

President Trump and Chairman Kim Jong-un have taken a bold first step to transform United States-North Korea relations, and there is important momentum now for positive change. Treasury is supporting President Trump's goal of the final, fully verified denuclearization of North Korea, as agreed to by Chairman Kim Jong-un. Treasury coordinates closely with the State Department to ensure our actions support the broader diplomatic effort.

We are supporting the denuclearization process by maintaining pressure on North Korea's finances and economy. It is clear that these efforts are having the desired effect. The President's Maximum Pressure Campaign created the conditions necessary for the historic Singapore Summit, and it is continued pressure that will avoid the mistakes of the past. As the President has said, implementation of existing sanctions will continue until North Korea denuclearizes. Our continued designations demonstrate our commitment to implementing North Korea-related UN Security Council resolutions, and countries must not backslide on their UN obligations. We will continue to hold accountable through our sanctions programs third country individuals and entities that, despite the Security Council resolutions, facilitate the DPRK's illicit activities. Sustained pressure and sanctions implementation are crucial to achieving our objective of denuclearization.

Treasury is deploying all of our authorities – including sanctions, AML/CFT measures and reporting requirements, enforcement actions, regulatory actions under Section 311 of the USA PATRIOT Act, foreign engagement, and private sector partnerships – to identify and disrupt North Korea's ability to generate revenue and move funds in support of its weapons programs.

Under this Administration, Treasury has sanctioned more than 200 individuals, entities, and vessels related to North Korea. Overall, Treasury has now sanctioned approximately 400 individuals, entities, vessels, and aircraft related to North Korea since 2005.

Furthermore, in 2016, Treasury identified North Korea as a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act, prohibiting U.S. financial institutions from maintaining correspondent accounts for, or on behalf of, North Korean financial institutions and requiring them to ensure they do not process North Korea-related transactions through correspondent banking relationships with other foreign banks. Treasury took a similar 311 action in 2017 against the China-based Bank of Dandong for serving as a gateway for North Korea to access the U.S. and international financial systems, despite U.S. and UN sanctions. This was the Treasury Department's first action in over a decade that targeted a non-North Korean bank for facilitating North Korean financial activity. It clearly demonstrates the Administration's commitment to protecting the integrity of both the U.S. and international financial systems.

Reporting from U.S. financial institutions were important sources of information in developing our understanding of the risk that Bank of Dandong posed to the U.S. financial system. And more broadly, the public-private partnership of FinCEN Exchange brings law enforcement, FinCEN, and financial institutions together to exchange targeted information on priority illicit threats, including North Korea. These types of exchanges enable the private sector to better identify risks and provide FinCEN and law enforcement with critical information to disrupt money laundering and other financial crimes.

One particular area of focus for us is that North Korea does little business in its own true name and uses a network of agents, front and shell companies, and complex ownership structures to access the international financial system. The UN 1718 Committee Panel of Experts has portrayed how these North Koreans are based in countries like China and Russia, and they are the key financial enablers for the Kim regime's weapons of mass destruction and ballistic missile development programs. These individuals are important to North Korean networks because they have expertise that they use to establish front companies, open bank accounts, and conduct transactions enabling North Korea to launder funds. Since the beginning of this Administration, we have designated 60 of these operatives acting on behalf of U.S.- and UN-designated banks and weapons trading companies. These operatives are located both overseas and in North Korea. Many of these individuals are also listed by name at the UN.

We further illuminated the roles of North Korean financial facilitators and associated financial networks in a comprehensive advisory issued by FinCEN to financial institutions in November 2017. The advisory provided U.S. and financial institutions across the globe with specific financial red flags of illicit North Korean schemes being used to evade U.S. and UN sanctions, launder funds, and finance the regime's weapons of mass destruction and ballistic missile

programs. This includes the use of overseas financial representatives and the use of China-based front or shell companies, trading companies, and financial institutions operating in areas bordering North Korea.

We are very focused on North Korea's use of deceptive shipping practices to evade sanctions, including ship-to-ship transfers. On February 23, Treasury issued its largest North Korea-related sanctions tranche related to shipping, trading companies, and vessels, as well as an advisory to the maritime sector to highlight sanctions evasion tactics used by North Korea that could expose businesses to sanctions compliance risks under U.S. and/or UN sanctions authorities. In recent weeks, we have issued additional designations against shipping companies, a port service provider, and vessels for enabling and supporting illicit ship-to-ship transfers on behalf of North Korea.

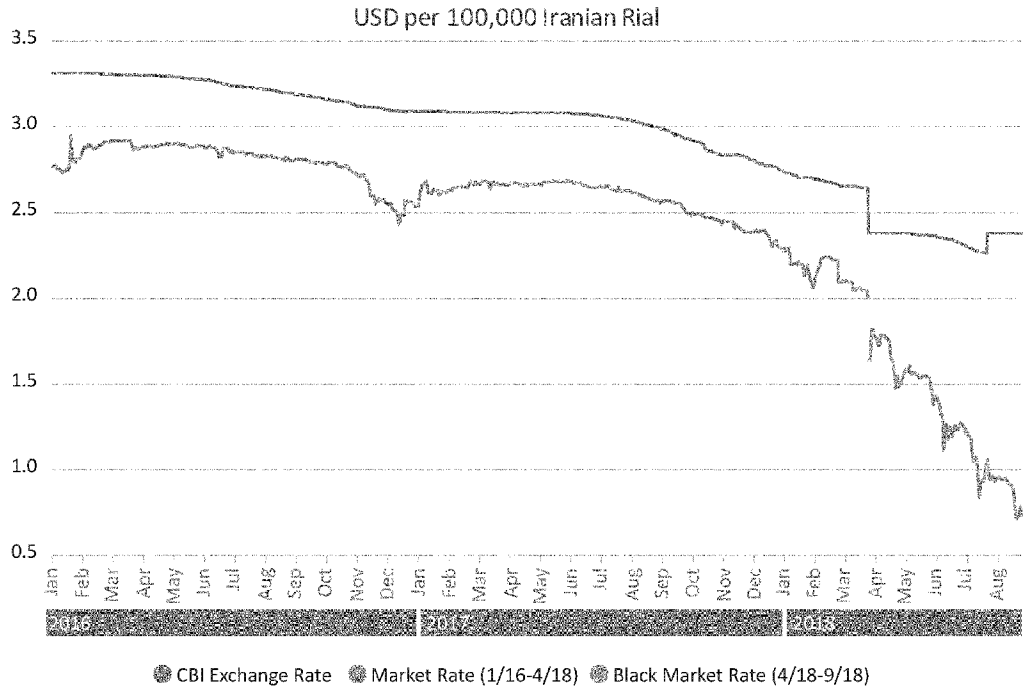
Our focus on depriving North Korea of its ability to conduct trade and to earn and move revenue through the international financial system means that we must work with other countries to achieve this goal. Not only do we work bilaterally with key partners to coordinate our domestic sanctions programs, we engage with leaders around the world to stress the importance of implementing United Nations Security Council resolutions. We also work bilaterally and multilaterally with like-minded governments to ensure that countries have the regulatory framework in place to detect and freeze assets linked to North Korea.

Conclusion

In conclusion, Treasury has aggressively targeted the wide range of malign activities conducted by Iran, Russia, and North Korea. While each financial pressure campaign has led to varying levels of diplomatic openings to achieve U.S. national security goals, we will continue to employ all of our authorities in close coordination with our partners across the interagency.

Again, Mr. Chairman and Ranking Member, I appreciate the opportunity to testify today, and welcome your questions.

Official and Market Exchange Rates, January 2016 - September 2018



Chairman ROYCE. We thank you, Mr. Billingslea.

On August the 8th, because of this committee's persistence, the administration announced new sanctions on Russia for its poisoning of a British citizen and the poisoning of his daughter and, as you know, another British citizen lost their life as a result, and that poison was with a chemical nerve agent.

This poisoning was an outrageous act that demands a strong response. Under the Chemical and Biological Weapons and Warfare Elimination Act of 1991, if Russia does not take certain steps by November, including allowing the U.N. or other international observers to conduct on-site inspections, the administration will have to impose additional, more severe sanctions on Moscow.

Should Russia not take the steps necessary required under the Chemical and Biological Weapons Act, as we all suspect they will not, is the administration prepared to take the strongest necessary action, and that means, for example, things like an export ban or an import ban, air transportation ban, bank loan prohibitions?

I would ask you, Ms. Singh, if you would give me your observations.

Ms. SINGH. Thank you, Mr. Chairman, and the answer to that is yes, absolutely. We are well aware of the impending deadline on the second tranche of sanctions to be issued against Russia the CBW. We are watching their actions.

We have indicated to them that they can evade—they can make themselves not subject to these sanctions if they allow the onsite inspections, as you have indicated, if they give us a verifiable assurance that they will not use these nerve agents against their own people again. They have not done so so far.

So to that extent, we are looking at this November deadline as absolutely we plan to impose a very severe second round of sanctions under the CBW.

The global community will not tolerate behavior such as we've seen from Russia, especially in poisoning and killing its own citizens.

Chairman ROYCE. Thank you.

On North Korea, while we can be hopeful, so far there has been little progress toward North Korean denuclearization.

We must keep up the pressure on the North Korean regime if we are to have a chance at getting a good deal, and to that end, Title 3 of the Countering America's Adversaries Through Sanctions Act requires that the administration designate the shipping registries of countries that deliberately do not comply with U.N. Security Resolutions barring trade with North Korea, and you addressed that, Mr. Billingslea. You mentioned actions the administration has taken, and let me also add I find effective the focus on North Korean slave labor, given the amount of hard currency, since those workers are fed but the money—the check—goes to the regime and ends up going toward their military programs. That is an effective program.

But when will the administration begin implementing sanctions against not just the shipping registries of individual companies but the shipping registries of governments, and let me explain where I am going there.

We are not talking here about shippers. We are talking about governments that knowingly violate these U.N. Security Council resolutions on North Korea and that is a two-fer in this case because it puts the pressure on Pyongyang but it also puts the pressure on Tehran, since Tehran is involved in that kind of work.

I wanted to ask you if the administration will consider blacklisting Iran's shipping registry due to their deliberate violations of such resolutions that have been passed at the Security Council level.

Mr. BILLINGSLEA. Chairman, thanks for that question.

The short answer is that many countries have different ways that they maintain shipping registries. In some cases, it's even a commercial vendor that provides the registering process.

I've been active with a number of the countries that are flags of convenience nations such as Panama and others to identify specific vessels that we know are in fact owned and operated by North Korean shell companies to get them to immediately de-register, deflag, de-list these companies and I think we've had, together with the Department of State, a very high success rate when we have the facts at our disposal.

Chairman ROYCE. Panama is complying with your request at this moment?

Mr. BILLINGSLEA. Panama has done a great job on this. We see them pop up in Micronesia a fair amount now and we are working very closely with the Australians and the New Zealanders on that.

We also are designated specific companies and their ships. We just went after a Russian company and six of its vessels for engaging again in this ship-to-ship transfer behavior, which is the primary method by which North Korea is undercutting the intent of the Security Council. We have got to clamp down on these ship-to-ship transfers in open waters.

Chairman ROYCE. I will be in further discussions with you about the Iranian Government's shipping registry on this issue as we press this point.

Mr. BILLINGSLEA. Thanks, Chairman. That's a good point, because on November 4, we are reimposing sanctions on the Iranian shipping lines—IRISL and some of the other associated companies.

Chairman ROYCE. All right.

Let's go to Mr. Eliot Engel of New York for his opening statement and then afterwards for his questions of the witnesses, and I thank you both for your testimony here today.

Mr. ENGEL. Thank you very much, Mr. Chairman, and thank you for calling today's hearing, and Assistant Secretary Singh and Assistant Secretary Billingslea, welcome, and thank you for your service and your time this morning.

We appreciate having administration witnesses here, but if I have to be honest I have to say it happens too rarely. Since coming into office, frankly, the administration has been increasingly reluctant to work with Congress. That's how it seems to us and it's very, very frustrating. But we are happy you're here.

The latest example pertinent to our conversation this morning was the development of this week's Executive order on sanctions. There was no discussion of this effort with Congress whatsoever. We learned about it from Reuters, and from what I hear, your

agencies were caught equally by surprise and, obviously, that's not the way it's supposed to work.

So I want to use this time that we do have administration officials before our committee to tackle this important topic.

Sanctions can be a very effective tool to achieve our foreign policy objectives. But I am concerned that this administration is turning reflexively to sanctions instead of taking the harder look at how they should fit into a broader strategy. Sanctions are a tool. They are not, by themselves, a strategy.

I am also troubled by the administration's reliance on using unilateral sanctions without developing support among our friends and allies. It's a standard practice, apparently. I don't know why.

We need to check in with other governments that share our priorities. The power of sanctions is, obviously, amplified when we build support among other countries.

When we act alone without consulting our partners, we run the risk of them in turn acting in ways that undercut our goals.

And, for example, Iran—we pulled out of the nuclear deal and sort of left our partners and allies sort of twisting in the wind.

Now, I didn't vote for the Iran deal. I was not happy with it. But it became the law and we were pursuing it, and now, going against our allies and isolating us instead of isolating Iran I think is the wrong way to go.

So facing the threat of U.S. sanctions it seems to me we've pushed foreign governments closer to Tehran rather than further away from Tehran. These are the same allies who stood beside us as we dialled up pressure on Iran.

And so by embracing a unilateral sanctions approach without a clear objective, we created a situation, I believe, counterproductive to our own policy goals and I am concerned that we still don't have a clear long-term strategy for Iran.

The administration uses loud rhetoric but there's little substance, I find, behind the tough talk. So if sanctions don't bring Iran to the table, what is the administration's Plan B?

For sanctions to be effective policy tools, they must work in conjunction with a broader diplomatic effort and actually I think diplomacy seems to be sidelined as a foreign policy tool.

We see it again when it comes to the approach to North Korea. Despite the President proudly boasting success after the June summit, there's been no progress on denuclearization.

In fact, it now seems the so-called success has turned into a failure. We need to think about how sanctions play into our broader strategy if we have one. What are we doing to exert pressure on our international partners to keep up multilateral sanctions enforcement?

Do we have any reason to believe that sanctions will be enough to convince Kim to give up his nuclear weapons without a broader diplomatic strategy to provide him a compelling reason to do so?

What are we doing outside of sanctions to build trust and reassure the North Koreans that we are committed to peace?

These are important questions that obviously we need to consider. Now, there is, of course, one glaring exception to the rule and that's the one in which the Trump administration has been remarkably restrained in its use of sanctions. Russia.

To be fair, the administration has imposed new sanctions against the Russians. But the sanctions they have put forward, in my opinion, amounts to a Band-Aid on a bullet wound.

In 2016, our country was attacked. Russia conducted cyber attacks to steal and disseminate information with the specific goal of helping Donald Trump win the presidency.

They attacked our election institutions and flooded cyberspace with divisive propaganda and they haven't stopped the assault. Our elections are vulnerable to Russian influence at this very moment.

Now, I am going to be just as outraged if they try to help Hillary Clinton. I want them out of American politics. They are not our friends. They are our adversaries, and I don't want them interfering with our American democracy.

And we haven't done nearly enough to stop it. The President has many sanctions tools at his disposal to punish the Russians for their attack on our democracy, and instead of using the full force of U.S. sanctions power, he cozies up to Vladimir Putin, the very man who directed this assault—the former head of the KGB in the Soviet Union.

And let me say the Executive order announced yesterday is not really an answer to this problem. It creates a complicated overly broad process that will not do much to deter the ongoing attack on American democracy. It reminds me of being too little too late.

I want to note that we in Congress could be doing more as well. My bill with Mr. Connolly, the Secure Our Democracy Act, is a response with real teeth. We introduced it last January when we first got a clear picture of what the Russians did in 2016.

But it hasn't really moved, and here we are, less than 2 months from an election and I don't think we've done nearly enough to tackle this threat. We are vulnerable to more attacks. It's imperative that we act now.

We need to punish those who attacked our democracy and work to deter future attacks. We need to incorporate a stronger sanctions regime into a broader strategy to deal with Russia's aggression and utter disrespect for international rule of law.

So I would like to know when you answer these questions what your agencies are doing to meet this challenge as well as the other range of issues I've mentioned.

That's my statement. So let me take Iran and then Russia. Well, actually let me do Russia first and then Iran.

Why is the administration not utilizing the full range of sanctions that Congress passed last year in CAATSA, notably, the sanctions on Russian energy projects and against Russian arms exports?

Mr. BILLINGSLEA. Thank you, Ranking Member Engel. I think I'll take the Russia questions and Secretary Singh will——

Mr. ENGEL. Could you put your microphone a little closer, please?

Mr. BILLINGSLEA. Yes, sir.

Mr. ENGEL. Thank you.

Mr. BILLINGSLEA. So, again, appreciate the chance to be here. I've had the opportunity—every single time you have invited me to

testify I've been pleased to accept and appear before your committee——

Mr. ENGEL. And we appreciate it.

Mr. BILLINGSLEA [continuing]. And it's great to be here. We look to your support on these issues.

Look, on Russia the numbers speak for themselves. The Obama administration imposed 550 sanctions over its 8 years in office. In the time we've been in office, we've imposed 223 sanctions. We've imposed three times as many sanctions on Russia for their cyber-related activities in our first 20 months as compared to all 8 years of the previous administration, 50 percent more on blocking actions, the same number of banks that we've gone after that they went after, 14 times as many Russian sanctions for North Korea-related behaviors, and on top of that, as I described in my opening remarks, the oligarchs that we have targeted are the big fish.

They are the inner circle around Putin. The message has been sent very clearly by the Treasury Department that there will be consequences and costs including personal costs imposed for the intolerable and unacceptable continued efforts to manipulate our electoral processes. We will not tolerate this, we will not agree to it and there will continued consequences.

Mr. ENGEL. What about the sanctions on Russia's energy projects and Russian arms exports? Those really—the full range of sanctions that Congress passed have not been implemented.

Mr. BILLINGSLEA. So, Ranking Member, you're putting your finger on a very important issue. We have designated a few months ago Rosoboronexport which is the arms sale entity of the Russian Government. It's the group that arranges all of the big sales and we also designated their bank, the bank Rosoboronexport controls, which has made it very difficult for them to engage in a number of transactions.

We are, together with the Department of State, following very closely Russian sales pitches regarding the S-400 systems and other weaponry systems and we've made incredibly clear to a number of countries around the world that purchasing those systems would expose their country under CAATSA to possible additional sanctions.

Mr. ENGEL. Okay. Thank you.

Let me ask a quick Iran question. If any of the major buyers of Iranian crude oil, which is China, India, Japan, South Korea, and Europe—if they refuse to sharply cut their purchases, are we really prepared to cut their banks off from the global banking system, which is the penalty under the U.S. sanctions?

Are we really prepared for that? An ancillary question with that is how will that contribute to our goal of constraining Iran and how would it affect our relations with these countries who are, generally, some of whom are our friends?

Ms. SINGH. Thank you, Ranking Member Engel, for that question.

In response, we are prepared to take the most serious actions possible on Iran. We need to demonstrate to the Iranian regime that we will not tolerate its development of a nuclear program for illicit purposes.

As Assistant Secretary Billingslea has mentioned, the flawed Iran nuclear deal was determined not to be the right vehicle to address the range of Iran's maligned behavior. We are having conversations with our allies and our goal is to get—purchase of Iranian crude oil down to zero by November 5th.

That's a critical goal for us. We are talking with all of our allies including the countries that you mentioned, helping them to understand that the only way that we can achieve this global goal of Iran's nuclear program not commencing is through partnership and cooperation with our allies, as you have indicated.

So we are working with them. We are trying to explain to them that the bigger picture here is we need to work together on putting this pressure onto Iran and the sales of oil are a critical way to do that.

We are prepared to take the strongest actions possible on people who will not assist us in complying with this new range of sanctions that we are putting back into place.

I also wanted to address your earlier question about cooperation with allies. Secretary Pompeo and Secretary Mnuchin have directed teams from the State Department and Treasury Department to travel together. We've visited over 30 countries so far and sat down with our Government counterparts and talked through with them our withdrawal from the JCPOA. We are trying to help them understand what it means for them.

We are trying to engage in all kinds of diplomatic conversations to make sure that our allies don't feel like we are going at it alone. We are explaining to them that we need to work as a global community to address Iran's range of malign behavior.

So I just want to assure you that it is a priority for Secretary Pompeo that we do this on a basis of engaging with our allies.

Mr. ENGEL. Let me ask you one final question.

China is Iran's top, top oil purchaser. Will they get to zero by November?

Ms. SINGH. We are working with all countries including China to get them to zero. We've made it clear that unless we act as a global community, Iran's behavior is not going to change.

The JCPOA was not going to change Iran's behavior. We have a new strategy, a new list of behaviors that we are going to insist that they take and we need cooperation from the global community in order to achieve this goal.

Mr. ENGEL. Thank you.

Thank you, Mr. Chairman.

Chairman ROYCE. Joe Wilson, South Carolina.

Mr. WILSON. Thank you, Mr. Chairman, and thank you, Secretary Singh and Secretary Billingslea. Thank you for your service and it's so positive to hear your messages.

And, in particular, Secretary Billingslea, you mentioned about the impact of the sanctions. The President was very courageous to pull out of the flawed Iranian nuclear deal.

So, Secretary Singh, you are absolutely correct. They never stopped their policies of "death to America" and "death to Israel." And so it is just refreshing that we have a President who has made promises—he's keeping his promises to protect American families.

In line with that, I was really impressed, Secretary Billingslea, with your presentation of the effect on the Iranian economy. Just extraordinary, and we are hopeful for the people of Iran—that this great people of Persian heritage that they can re-establish a free and democratic society.

I also was encouraged, Secretary Singh, by your pointing out that visiting with 30 different countries around the world to promote cooperation. It somehow is misreported by the negative media that nothing is being done. So thank you. I hope some who that might be picked up because it is really positive.

And for Secretary Billingslea, what role do you see for Congress in the process of implementing the sanctions in line with the new policies? Are there any new tools that we could provide from Congress that would be bipartisan?

Just as Ranking Member Eliot Engel did not approve of the Iranian nuclear deal, we have worked bipartisanly together, particularly on this committee.

Mr. BILLINGSLEA. Thank you, Congressman, and your continued support—I think your support in the context of the Foreign Affairs Committee I have to tell you how crucial it is that we have fully staffed Embassies globally, particularly in the regions where we are dealing with Iranian aggression, Russian interference activities, and so on.

It's not always the case that I am actually able to engage with a confirmed Ambassador in some of these key countries. So that would be an area for help.

From a parliamentary engagement standpoint, as you work with other governments and other parliamentarians, reinforcing the need for countries to establish and enforce effective anti-money laundering regimes is so crucial.

I can't tell you how important that is. I mentioned Panama, where there's a lot of offshore shell company formation in Panama. But other countries like Latvia, Cyprus, they need help as well and they need encouragement.

In terms of additional authorities, we'd be happy to work with the committee on that. I have testified in front of the House Financial Services Committee about the fact that I found in previous positions the ability to offer rewards information that leads to the identification of suspicious bank accounts or other things to be a valuable tool in the counterterrorism context. So measures such as that might also be very helpful.

One key point on maintaining, and I think Ranking Member Engel makes a good point about the importance of doing things in a multilateral context as best we can. That's not always going to be the case. Sometimes we do have to act on our own to protect our own interest in equities.

But in the case of Iran, it is absolutely the case that we enjoy broad support. We, in fact, received the support of all six of the Gulf countries to designate the leadership council of Hezbollah. That is something that has never happened before. That's a big deal, and we are appreciative for the Gulf nations that they are supporting us on the Iran portfolio.

Mr. WILSON. Thank you, Mr. Secretary.

And Secretary Singh, again, it was refreshing to hear your reports of working with other countries, how meaningful that can be.

And particularly, back to Hezbollah, it remains as one of the most deadly terrorist organizations in the world, responsible for the deaths of hundreds of Americans.

In addition to funding from Iran, Hezbollah runs a sophisticated network of criminal activities to fund its terrorist activities in Lebanon and throughout the world.

Secretary Singh, what are the steps by the department to stop flow of resources to Hezbollah, particularly from Iran?

Ms. SINGH. Thank you, Congressman, for that question. You have hit on exactly the type of thing that we are trying to prevent. We have found that cutting off Iranian access from the global financial system cripples its ability to funnel money to organizations like Hezbollah.

As Assistant Secretary Billingslea has detailed, the fall in the value of the Iranian currency has also had a huge impact on the Iranian Government's ability to fund illicit activities by terrorist organizations.

One of our key goals is to prevent Iran from supporting an organization like Hezbollah.

Mr. WILSON. Again, thank both of you for your service. It's extraordinary. Thank you very much.

Chairman ROYCE. Mr. Brad Sherman, California.

Mr. SHERMAN. I want to commend your work. Sometimes we just sanction an individual, and if that individual has no assets in the United States we are just basically saying we have a no war criminals at Disneyland policy. That is to say, the wrongdoing individual will never be able to be a tourist in the United States, and I hope we focus more on sanctioning countries where we can go after the economy, maybe multi-billionaires who would naturally have business in the United States. But sanctioning a few individuals in St. Petersburg just means they'll go to Euro Disney instead of Disneyland, in some cases.

It's integral to build and important to build support for our sanctions. What worries me with regard to Iran is not only may the tool not work if you don't have support in Europe and Asia, but you may break the tool.

If we inspire Europe to develop payments systems that avoid U-turn transactions at the New York Fed, then we won't have that tool to be effective in future sanctions regimes.

In order to build support for sanctions on Iran, instead of focusing on the JCPOA, which Europe does not believe is a reason to sanction Iran, we need to focus on Syria, Yemen, and their terrible abuse of their own LGBT community.

As to Mahan Air, it may not be enough to sanction the individual companies. They have to sanction the airports. I am told that Ukraine has finally stopped, given their dependence on the United States. That should never have happened—at least it stopped.

I want to focus on Russia. Many reasons to sanction Russia—from the Ukraine to Salisbury, England—and I want to focus, though, on interference in our election.

I am not just talking about influencing. Every country might issue a press release that would affect a U.S. election. We might

conclude a deal with some country in October. That is natural and sometimes designed to affect a U.S. election.

I am talking here about interference such as false flag advertising, cyber theft, and attempts at manipulation of the tabulation of our votes.

Mr. Billingslea, is it the position of the administration that the Russian state illegally interfered in the 2016 election?

Mr. BILLINGSLEA. That's my understanding of the intelligence community's assessment. And from everything I've seen I think that's——

Mr. SHERMAN. Have we imposed a sanction on the Russian state for their interference in our 2016 election?

Mr. BILLINGSLEA. Yes. But let me explain. Let me explain how I am getting to that yes.

Mr. SHERMAN. Well, there are 19 individuals who we—and, again, this may just be they're not allowed to visit the United States as tourists, but there are 19 individuals who are sanctioned for wrongdoing in the cyber world and that may or may not—if they had not—even if we hadn't had a 2016 election they might face the same sanctions for other cyber wrongdoing. Can you point to a—what's the strongest thing you can point to and say but for the interference in our election that sanction wouldn't exist?

Mr. BILLINGSLEA. Well, I will give you some very clear examples. So Yevgeny Prigozhin and the Internet Research Agency, which is the troll farm they were using to try to spin up the hate on both sides of the political spectrum is a great example. But I've gotten many, many more if you'd like.

Mr. SHERMAN. Okay. What have we done—so you're saying that that's a sanction against the Russian state or against a Russian——

Mr. BILLINGSLEA. The thing with the Russians, and I mention in my testimony how each of these countries is different in the way they operate.

Mr. SHERMAN. Right.

Mr. BILLINGSLEA. The Russians are——

Mr. SHERMAN. Okay. So they've interfered in our election and we tell them that one little entity won't be able to get some contracts. That seems like responding to Pearl Harbor with a strongly worded message.

Mr. BILLINGSLEA. Taking their stock market down by 9 percent in 1 day is not——

Mr. SHERMAN. Well, do you support legislation that would prevent U.S. persons from buying Russian sovereign debt?

Mr. BILLINGSLEA. I would have to get back with the other part of Treasury that does the international affairs work to make sure we understand what the knock-on consequences of that would be for our banks and for our citizens who are heavily leveraged into indexed mutual funds.

Mr. SHERMAN. Well, we'd obviously give those funds a chance to divest themselves. But, obviously, no additional purchases could be made.

Ms. Singh, China may be incarcerating as many as 1 million Uighurs right now. Are we going to apply Magnitsky Act sanctions?

Oh, did I say Russia? I meant China. China is imprisoning perhaps 1 million. Are we going to use the Magnitsky Act against them?

Ms. SINGH. Thank you, Congressman, for that question.

The State Department is very concerned about Chinese treatment of Uighurs. We are encouraging the Chinese Government through diplomatic channels to ensure that they allow the practice of freedom of religion, to respect human dignity.

Mr. SHERMAN. But this is a hearing on sanctions. Are we going to sanction them?

Ms. SINGH. Yes, Congressman.

When it comes to sanctions roll-outs, we are not able to preview what we might do. But I can tell you we are looking at the situation and Global Magnitsky is a tool that we use to curb human rights abuses around the world.

Mr. SHERMAN. It's peculiar you can't talk to Congress about what you might do. But I yield back.

Chairman ROYCE. We go to Mr. Ted Yoho of Florida.

Mr. YOHO. Thank you, Mr. Chairman. I would like to thank both of you for being here today.

And when you look around the world there's a lot of enemies that are not treating us real nice and they're going after a lot of different systems and our electoral system.

And then you throw North Korea in there and what China is doing to march around the world and take over global dominance.

What we have done is—this committee and I think this committee has been great at passing bipartisan legislation to give you guys tools, and we are separate branches of government but yet we can work coherently together to accomplish that goal.

And as you know, this committee has for years, regardless of administration, led the way in pressing for increasing pressure on North Korea.

As the chairman, along with others on the committee, has passed H.R. 1771, the KIMS Act, and other bills to tighten the screws on the Kim regime, the Trump administration deserves credit for sanctioning the Bank of Dandong and others, and I have little doubt that these measures are what drove Kim to the negotiating table. I think that's pretty self-evident that he came to the table.

Without question, we are playing a winning hand with strong sanctions and we can't back off, and we are in a different situation now that I want to address.

However, I am concerned that we are not taking full advantage of our strong position. In May, Ranking Member Mr. Sherman, on the Asia and the Pacific Subcommittee, and I wrote a letter to Secretary Mnuchin encouraging Treasury to target larger financial institutions that have been implicated in laundering North Korea's illicit funds with secondary sanctions.

As you may recall, we specifically highlighted the Agricultural Bank of China and the China Construction Bank. Given evidence that customers have used accounts at these banks to launder money for North Korea, to date we have not received a response to our letter and these Chinese banks remain unsanctioned.

Do you have any idea or comment on where we are at with that? Is that going to happen?

Mr. BILLINGSLEA. Well, first of all, let me apologize if the letter has gone unanswered. That's——

Mr. YOHO. It's all right. I get that same response from my constituents. [Laughter.] Occasionally.

Mr. BILLINGSLEA. So we'll get on that and get you the response.

You're correct, we have not sanctioned those two particular banks at this stage. We have very recently designated a Russian bank for continuing to facilitate trade with North Korea.

Mr. YOHO. Are we going after the bigger ones? Because secondary sanctions are some of the most powerful tools that we can have. And we can give you the tools. We can give you the tools, but if you're not using them and it's at your discretion, are you looking at these banks as too big to fail or too big to sanction, I guess?

Mr. BILLINGSLEA. Definitely you have to look at some of the Chinese banks and recognize that they have, under their management assets that really, in several cases, dwarf anything under the management of a U.S. bank—the largest U.S. bank.

So we have to keep that in mind. But that's not going to deter us.

Mr. YOHO. I would hope not.

Mr. BILLINGSLEA. What I would say is with a big bank, though, where they've got a lot of diversified activities, what we are doing is engaging in very specific discussions with the banks, particularly through their New York operations, to drill down into the particular account holders that we believe are North Korean related to get them to expunge those people from their bank rolls, and we have made some pretty good progress along those lines, Congressman.

Mr. YOHO. I know this committee is open to suggestions. If you need other tools let us know, because if we are going to bring the North Korea conflict to an end peacefully, we need all people at the table and we can't have China and Russia backing off and saying, you know what, we are not going to play anymore and we are going to supply North Korea with these products.

And if we are not using those tools in our arsenal, this is going to go down in history, 5 years from now they'll say, well, President Trump did this and it was a failed attempt.

We don't want to do that. We want this to come to an end. So what would it take for you guys to put more pressure on them, or do we need to put more pressure on the Treasury or the executive branch?

Mr. BILLINGSLEA. I mean, we are going after entities on a weekly basis. Today's action that I mentioned on the slave labor in——

Mr. CONNOLLY. Could you please speak into the microphone? Thank you.

Mr. BILLINGSLEA. Yes. So we are targeting companies and entities that are helping evade sanctions on a weekly basis. The drumbeat is persistent.

Mr. YOHO. Okay.

Mr. BILLINGSLEA. We are not easing up in any shape or fashion.

Mr. YOHO. Okay. And I hope not, and I look forward to your response on that.

And the last thing is we just passed, on the House floor, H.R. 5576, the Cybersecurity Deterrence and Response Act, that lays the

groundwork for what an attack on our infrastructure is, or cyberspace, and this will go right after any country, i.e., Russia, that's hacked into our system and it lays out what can be done by the executive branch.

I hope you look at that because that's something we think will be passed out of the Senate with this Congress and use that as another tool in your arsenal because we'll do the follow-up and ask why are these entities not being sanctioned.

With that, I yield back, and thank you, Mr. Chairman.

Chairman ROYCE. Thank you, Mr. Yoho.

We go to Albio Sires of New Jersey.

Mr. SIRES. Thank you, Mr. Chairman, for having this hearing and thank you for being here with us today.

I believe that sanctions are the way to go, and it seems like we pass sanctions and you're getting more and more work and more and more sanctions to look after.

Currently, have you hired additional people at the Office of Foreign Asset Control to investigate individuals that we are sanctioning and all these sanctions that—yes?

Mr. BILLINGSLEA. Congressman, yes, we have. But I would say we are tapped out. We are running as hot as we can.

Mr. SIRES. So, I mean, do you have an adequate amount of people to handle the kind of sanctions that we are passing here?

Mr. BILLINGSLEA. We make do with what Congress appropriates for us.

Mr. SIRES. That tells me you don't have enough. Who do you make that request to? Can we help you in any way?

Mr. BILLINGSLEA. It goes up through the Office of Management and Budget and they make the final——

Mr. SIRES. Can this committee help you in any way? Because, I mean, it's important that we track all these sanctions.

Mr. BILLINGSLEA. A hundred percent agree and we welcome all the help we can get on these issues.

Mr. SIRES. Nicaragua is the latest country in the Western Hemisphere that has turned on its people.

Are the sanctions that we have put on some of these individuals enough? What else can we do to deter this kind of behavior?

Mr. BILLINGSLEA. Thank you.

The situation in Nicaragua is an outrage. They have killed more than 300 people in the past few months with targeted assassinations.

The attack on the church is a good example. We have designated the head of the national police and several of the other individuals. But we are digging into this because President Ortega and the Vice President, his wife—Murillo—must be held to account for these outrageous atrocities.

Mr. SIRES. Not only them, but I think the whole country. We should put some pressure on the government because they're just squandering money, stealing money left and right.

Mr. BILLINGSLEA. The problem is those two are the government. There isn't anything else.

Mr. SIRES. I know. Yes.

Mr. BILLINGSLEA. That's the problem.

Mr. SIRES. And in terms of North Korea, it's very interesting that I hear that he's calling around different leaders of the world now to assist him. Is that going to help him get by some of the sanctions that we are implementing on him?

All of a sudden he's become a very communicative guy in the world.

Ms. SINGH. Congressman, we remain in very close contact with our allies and partners about maintaining pressure on North Korea. In fact, we've had four sanctions roll-outs—sanctions designation roll-outs since the Singapore summit.

So our economic pressure from the United States Government side has not relented at all. We maintain the sanctions that we have and we are encouraging our allies and the United Nations to keep sanctions in place.

The only time that the North Korean regime will see any relaxation of sanctions on their government is if we see a serious effort—a serious attempt—for them to comply with our demands of denuclearizing.

We've made it very clear to Chairman Kim what we are looking for. President Trump is committed to this result. So we are in constant contact with our allies and want them to share our posture of completely maintaining the economic pressure until we see the changes we desire.

Mr. SIRES. And in terms of Russia, you mentioned a date before where the Russians have to conform to not using nerve gas on its people, otherwise you're going to put additional sanctions.

Do you think that they're going to admit that they use nerve gas on their own people?

Ms. SINGH. Congressman, at this point, it's not even a matter of Russia admitting it. We know that they did this.

Mr. SIRES. Well, I know. But there's a date coming up that you mentioned before. What—I forgot the date.

Ms. SINGH. It's coming up in November, and what we are looking for is an ability to conduct inspections and a affirmation from them that they will not use nerve agents on their own people anymore, and if we don't see this, the second rounds of sanctions is mandatory. Those sanctions will be imposed.

Mr. SIRES. And what does that include?

Ms. SINGH. It's going to include banking sanctions, prohibitions on procurement of defense articles, any sort of foreign aid money. There's a long list of things.

It's a laundry list of items which will penalize the Russian Government.

Mr. SIRES. You're going to have to—you're going to have to need more staff, because I don't think they're going to admit that they're not—if they admit that they're not going to use it against their people that means that they did it before. So I suggest you start getting ready.

Ms. SINGH. We are prepared. We are absolutely prepared to fully implement the second round of sanctions.

Mr. SIRES. Okay. Thank you very much.

Thank you, Chairman.

Chairman ROYCE. Will the gentleman yield?

Mr. SIRES. Sure.

Chairman ROYCE. I just want to indicate that in raising the issue of what is going on right now in Nicaragua, I think that there is certainly cause for the international community to be very concerned.

A constituent of mine recently raised the issue of an attack on the village where she previously lived—not by the army but these are private militia that come in and people are disappeared or they're subsequently found sometimes tortured, sometimes killed.

And she was talking about the circumstances there, saying it's reminiscent of the way Joe Stalin kind of went off the rails. And you ended up with anybody, any student who was suspect in Nicaragua now or any worker who's suspect of not having fealty personally to Ortega just being brought in by this private militia force.

And so I am glad you raised the issue today because, from a human rights perspective, push back is essential right now, I think, on the regime and I am sure there are many within the government who are concerned about the fact that this is done, not through the state but it's being done through private militia activity.

Mr. SIRES. Chairman, I just had in my office some of the victims of Nicaragua. They're using water boarding. They're using sharpshooters to shoot people who are demonstrating. Doctors who assist any of the victims of the demonstrations—they're going after them also.

So I think—I would love to work with you on something.

Chairman ROYCE. Thanks for raising it today and I will work with you.

Mr. BILLINGSLEA. Mr. Chairman—on that point, Congressman, you know, they actually—the health minister issued an edict that wounded victims of their attacks would not be treated. This is how outrageous it is.

Very quickly—you asked another area where you could help—one area I would just put a plea in is every time you're looking at legislation I understand that sometimes the compromise is, well, let's just get them to do a report for us.

Obviously, that's fine—you need to have whatever information you need to have. But if you could just kind of keep in the back of your mind that some of these reporting obligations impose a huge workload on a very tiny staff.

Mr. SIRES. So you need more staff.

Mr. BILLINGSLEA. Or if there are reports that aren't getting read anymore then we could——

Mr. SIRES. You can admit it. You know, you need more staff. Thank you.

Chairman ROYCE. Lee Zeldin of New York.

Mr. ZELDIN. Thank you, Mr. Chair, and I appreciate our witnesses for being here.

Whether it's the last administration, the current administration, or future administrations, I subscribe to the principle that it's important to always be pursuing a stronger, more consistent, more effective foreign policy from one month to the next.

Sometimes we see an inconsistency from one country to the next, and this is something that's plagued American foreign policy for a long time.

I believe that the President has surrounded himself with some great leaders who believe that we need to be strengthening our relationships with our friends, treating our adversaries as our adversaries.

Secretary Pompeo, Secretary Mnuchin, Ambassador Bolton all understand, as this President does, that we have the largest economy in the world and we can effectively leverage that.

We are hearing a lot of good news about our economy. So while we hear about our markets hitting historic highs, unemployment hitting historic lows, consumer confidence hitting historic highs, GDP—the fastest growth in 4 years.

At the same time, we are hearing about China and Russia and North Korea and Iran—the state of their economy going in the opposite direction, and in many respects its effective use of sanctions.

It's good work that's done at the United Nations with Ambassador Haley as well. Both of our witnesses, I thank you for your efforts.

I believe that the President was correct in withdrawing from the Iran nuclear deal. It was here actually Secretary Kerry said that it was an unsigned political commitment. It was not submitted to Congress as a treaty.

The reason that they decided not to do that was because they didn't believe it was going to get passed. That was the answer to the question of why is this not a treaty. The answer was that they would not have been able to get it passed. That was here in his room.

I thank the administration for moving the Embassy in Israel to the capital of Jerusalem, for the implementation of the Taylor Force Act, which a lot of good work here at this committee on a bipartisan basis worked to implement.

I support—Ambassador Bolton, a few days back, was talking about sanctions as it relates to the ICC. We have pro-Palestinian anti-Israeli entities that are out there that want to bring the United States up on war crimes charges and the Israelis up on war crimes charges and effectively leveraging sanctions there is important, too.

And also I would be remiss, and I don't want to steal Congressman Deutch's thunder—he's the one that—he always makes sure to bring it up because it's his constituent—but I think in our work with Iran leveraging our sanctions and our interactions with them to return Bob Levinson back to Congressman Deutch's district and to the Levinson family is very important and I thank Congressman Deutch for all of his work on that.

But I want to ask you about—there were some news reports that came out that former Secretary of State John Kerry has been conducting shadow diplomacy with top Iranian officials to salvage the nuclear deal.

This reportedly includes meeting three or four times with Iran's foreign minister. Is the administration aware of these meetings?

Ms. SINGH. Thank you, Congressman.

We've seen reports of those meetings.

Mr. ZELDIN. Have the efforts by a former Secretary of State—John Kerry—or other former Obama administration officials to un-

dermine the implementation of this administration's Iran policy using such shadow diplomacy, has it had any effect?

Ms. SINGH. Well, Congressman, we remain focused on our new Iran strategy. You know, as I've outlined, Secretary Pompeo at the State Department has formed a new Iran action group.

We have specific steps that we've outlined. We have a team at the State Department, those working with the White House, with the Treasury Department, with the Interagency, to make sure that we are focused on sending a message to the Iranians that the only way that we will ease up on the economic pressure which is debilitating their economy and their leadership because our goal, of course, is to hit the government, not the Iranian people. We want to see these changes. They have to show us that they are not developing a nuclear program—that they will release political prisoners like Bob Levinson—that they will promote political freedoms—that they will allow onsite inspections—that they will stop their aggressive behavior in their neighborhoods—they will stop threatening Israel. They need to stop supporting the violent Assad regime—their terrorist activities in Yemen.

We have a long list of things that we are focused on and it's unfortunate if people from a past administration would try to compromise the progress we are trying to make in this administration.

Mr. ZELDIN. Would that be improper for Secretary Kerry to be meeting with Iran's foreign minister with that shadow diplomacy?

Ms. SINGH. Well, Congressman, I don't have personal knowledge of those meetings. But if that is happening, again, I would find it very inappropriate.

Mr. ZELDIN. Thank you. I yield back.

Chairman ROYCE. We go to Karen Bass of California.

Ms. BASS. Thank you, Mr. Chair.

It's actually the first I've heard of this shadow diplomacy taking place. But, frankly, I am not sure that it's such a bad thing that other people are trying to represent our country, considering the erratic nature of this administration.

Anyway, I wanted to ask you a few questions about sanctions and wanting to start with Zimbabwe and wanting to know where we are with sanctions on Zimbabwe and if there's any plans to reassess Zimbabwe sanctions.

I was just there for their election and, needless to say, there are numerous problems that happened after the election. But Zimbabwe is trying to reach out to us now and I want to know where we are with that.

I also want to talk to you about sanctions against Iran and want to know if you are aware of the specific case of Noura Hussein. She is 19 years old. She's a Sudanese girl who was sentenced to death in May for fatally stabbing her 35-year-old husband that she was forced to marry when she was 15.

There has been a lot of international pressure to stop her from being executed. She says she killed him in self-defense because she was being raped.

And so I want to know, given that we have been considering changing our policy toward Sudan if that is a leverage point, number one, to save her life, but where we are with sanctions toward Iran.

Then I have a few other questions especially for Mr. Billingslea. That was for Ms. Singh. Those are for Ms. Singh.

Ms. SINGH. Thank you, Congressman.

When it comes to Zimbabwe, we still have a 141 individuals and entities including the President and the former President who are designated. So our pressure on Zimbabwe remains in place.

We are trying to use this pressure to leverage political and economic reforms, human rights observations. And so the response to your question is, basically, it remains on our radar. This pressure remains. We want to see fundamental changes in Zimbabwe and only then will we resume normal relations with them.

Ms. BASS. And considering they want to move forward in that direction, I think we certainly have a lot of leverage right now and we need to figure out how to step that up as well.

Ms. SINGH. Thank you, Congressman. As with every nation that is subject to U.S. sanctions, we are always open to conversations. We are open to a demonstration from the government that it is changing its ways, that it is observing human rights, that it is taking——

Ms. BASS. Thank you. Before I run out of time, would you respond about Sudan and Noura Hussein?

Ms. SINGH. I don't have personal knowledge of this young woman. It sounds like a very unfortunate situation. The purpose of our sanctions, you know, again, is to get these governments to properly observe human rights and that would be in the case of both Iran and Sudan.

I can look into the case of this individual woman and get back to you.

Ms. BASS. I would appreciate that, because they still are a state sponsor of terrorism. They still have that designation and there are even forces within our Government that think that that designation is actually problematic.

And so it might be in the context of us examining that, raising her case as well, since they're very anxious to have that designation removed.

Ms. SINGH. Okay. I will look in that and get back to you.

Ms. BASS. Thank you. I appreciate that.

And for Mr. Billingslea, specifically from the Treasury Department's perspective, there are many human rights abusers in Africa that have tremendous wealth here in the United States—real estate and other financial investments—and I was wondering if we are beginning to track those.

Mr. BILLINGSLEA. We are, and we are working very closely with a number of nongovernmental organizations such as Century——

Ms. BASS. Oh, good.

Mr. BILLINGSLEA [continuing]. And others. In fact, I just was in New York with John Prendergast, who—he presented to the Security Council on this very topic and on the matter of corruption at the invitation of Ambassador Haley.

We are using the Global Magnitsky sanctions authority that was developed under the administration to go after these human rights abusers.

I think one of the most notorious ones that we've targeted very aggressively is a weapons trafficker named Dan Gertler, who is

profiteering in the Congo, and we've had a fairly significant effect on his finances as a result of our actions, as an example.

Ms. BASS. Well, I appreciate that. I would like to continue to work with you on that and raise some specific cases, because although we target individuals for sanctions I actually think looking at their assets here in the country would probably be a lot more effective than what we've done.

Mr. BILLINGSLEA. A hundred percent agree. Also in Europe, too.

Ms. BASS. Exactly.

Mr. BILLINGSLEA. A hundred percent agree.

Ms. BASS. Thank you.

Mr. Chair, I yield back.

Chairman ROYCE. We go to Ileana Ros-Lehtinen of Florida.

Ms. ROS-LEHTINEN. Thank you so very much, Mr. Chairman.

If fully implemented and enforced, U.S. sanctions can be an effective foreign policy tool to pressure dangerous rogue regimes including those in Iran, in North Korea, in Russia, as well as those in our own hemisphere, like my native homeland of Cuba, Venezuela, Nicaragua.

Regimes like these can both threaten our national security and the human rights of all those forced to suffer under their despotic rule and it undermines the stability of key regions with significant consequences for our national security and that's why I've worked in a bipartisan way alongside so many in this committee, especially under the leadership of Chairman Royce and Ranking Member Engel, to author sanctions laws including the strongest sanctions on Iran on the books, the Iran Threat Reduction and Syria Human Rights Act, as well as Iran, North Korea, and Syria Nonproliferation Act.

I am also proud to have authored the Venezuelan Human Rights and Democracy Protection Act and have helped secure the passage of the Sergei Magnitsky Act.

The Global Magnitsky Act, authored by our colleague, Chris Smith, has become a very important tool and I am pleased to see that the administration has made use of it, especially in Nicaragua.

Following up on the excellent questions and observations of Mr. Sires and our chairman—what they were saying about Nicaragua—I would like to ask you if—as the human rights violations in Nicaragua, sadly, spiral out of control, how can we encourage responsible nations to implement similar sanctions?

Then on Russia—while it's still not enough, I was very pleased that the administration just days ago—yesterday—finally authorized additional sanctions for those interfering in our elections.

I do, however, strongly urge the administration to take it a step further and signal support for our DETER Act, which I introduced alongside our colleague, Brad Schneider, earlier this year, and Marco Rubio and Senator Von Hollen have it in the Senate, and this bill would ensure, as you know, that key Russian officials and oligarchs are sanctioned if Putin interferes in our electoral system again.

So I will ask you would such a law requiring automatic sanctions be an appropriate signal that there will be severe repercussions for any future interference in our democratic process?

And, finally, on Cuba, it's been nearly a year since the State Department updated its list of restricted entities associated with the Cuban military.

Is the administration looking at additional companies and entities to add to that list and what additional sanctions can we use to support the people of Cuba?

Thank you to our witnesses, Mr. Chairman.

Mr. BILLINGSLEA. Okay. On Global Magnitsky, again, we appreciate the authorities that were given.

Ms. ROS-LEHTINEN. Could you put the mic a little bit——

Mr. BILLINGSLEA. Yes, Congresswoman.

To date, we've designated 84 individuals and entities under Global Magnitsky, which I think signals our determination to combat human rights abuse and corruption wherever it occurs and Nicaragua is, clearly, an outrageous situation—a truly atrocious situation.

Venezuela—but Venezuela takes the cake. I mean, what they're doing to the people of Venezuela with 2.3 million migrants, an economy that's in a death spiral—they've stolen everything there is to steal from the oil sector and now they're looting—they're stripping the forest and looting gold and whatever is left.

Maduro and his cronies must be held to account. And to that end, Ambassador Haley held a session of the Security Council to put a spotlight on this matter, and please know that the Treasury Department is all over this matter.

You asked a key question regarding "automatic sanctions." I have to say automatic sanctions—mandatory sanctions—are really not the way to go, in our view, simply—it's not because we don't want to designate these individuals.

I think we've proven with our track record that we will not hesitate to go after these people but we have to be able to synchronize the way we go after them together with the Department of State but also together with our own financial diplomacy efforts.

A lot of what we do are things you never really hear about or see, as we are out preparing the battlefield for the imposition of the sanctions to ensure that we have maximum effect with partner nations. So I appreciate the chance to comment on that.

Ms. SINGH. Thank you, Congresswoman.

I just wanted to make a quick statement on the elections because you mentioned the DETER Act. As you know, the President has signed an Executive order. We very much share Congress' concerns and I think the intent behind the Executive order is similar to the pieces of legislation that are out there.

We are all serious about preventing any election interference, and if we find out that election interference has occurred, we are very serious about imposing mandatory penalties upon those who have interfered with our democratic process.

When it comes to Cuba, as you know, the State Department was very concerned about the health and security of our employees in our Embassy there.

We remain concerned. We are not convinced that the attacks on our Embassy have ceased entirely. So our security situation there remains precarious. We are always evaluating new means and methods to be able to achieve the desired changes in Cuba.

We have a long history of being able to try to work through these issues with Cuba. In fact, I am a countryman. I am a native Floridian. I grew up in Winter Haven, Florida. I went to the University of Miami. So, for me, Cuba is a—go Hurricanes, yes—is a very—is a very personal issue and one that I think we need to use the most effective tools to straighten out.

I don't know at this time if we are looking at new entities. But I can assure you that we are constantly evaluating the process and the tools we have to change the fate of the Cuban people, and I can get back to you on——

Ms. ROS-LEHTINEN. That would be lovely. Thank you.

Ms. SINGH [continuing]. Additional potential.

Ms. ROS-LEHTINEN. And when we said "go 'Canes," we don't mean Florence.

Ms. SINGH. No. We mean Miami Hurricanes.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Chairman ROYCE. Thank you.

We go to Bill Keating of Massachusetts.

Mr. KEATING. Thank you, Mr. Chairman.

We've had many witnesses, officials, former officials, international experts talk about sanctions in front of this committee. So I wanted to get a real clear distinction here.

Was it a legal determination that you had to withdraw from the JCPOA in order to pursue these new sanctions on Iran for their malign activities or was it a policy determination?

I want to be clear, because we've had much testimony about this from some very credible people.

Ms. SINGH. Thank you, Congressman, for that question.

One of the flaws in the JCPOA was that it was an agreement that was not approved by Congress, by the Senate. As you know, there has been much debate about that and as was observed earlier just by this committee it was——

Mr. KEATING. Well, excuse me. I want to interrupt.

That's not what I am asking. Don't go back to that issue.

I am saying for what was in place with the JCPOA was it a legal determination or was it a policy determination——

Ms. SINGH. Well, President——

Mr. KEATING [continuing]. Not what the JCPOA was.

Ms. SINGH. Okay. President Trump took a look at the JCPOA and determined that his policy would be to——

Mr. KEATING. So it's not a legal determination. It was a policy determination. Is that—are you clear on that?

Ms. SINGH. Well, Congressman, lawyers have looked at withdrawal from the JCPOA as well, but at the end of the day, the President determined that this was not the right course of action for——

Mr. KEATING. That's not answering my question. This is not a tough question. To respond to the malign activities of Iran on other areas, you did not have to legally leave the JCPOA. I don't understand.

Everyone that's testified before us has said that.

Ms. SINGH. But there was no——

Mr. KEATING. So are you agreeing with them or disagreeing?

Ms. SINGH. Well, there was on compulsion to legally leave the JCPOA.

Mr. KEATING. Okay. So it wasn't a legal determination. It was all policy.

Ms. SINGH. Well, I guess I would say there was not—we were not compelled legally to leave it.

Mr. KEATING. To do other sanctions on malign activities. So here's—okay, so here's the issue. Why did you do it? Because one of the greatest strengths we have in dealing with Iran is our coalition. We pulled out of the JCPOA. We created a fracture with our Western allies. The strongest thing we have that the—no other country, frankly, that we compete with—China or Russia—has and we didn't have to do it.

Mr. BILLINGSLEA. Congressman, I am not sure the strength that referring to was there at all. Let me explain what I mean.

When the—and this predates me, obviously—when the JCPOA was negotiated, "the deal" with our European allies was that Iranian terrorism and Iranian ballistic missile activities and all of that other stuff would not go unchallenged—that it was still very much on the table for everyone to work together. But——

Mr. KEATING. My time is running out. I am asking the questions.

Mr. BILLINGSLEA. But you don't have any sanctions——

Mr. KEATING. May I ask you the question here?

Mr. BILLINGSLEA. Sure. Sure.

Mr. KEATING. The question is simple. I mean, we have the power to do sanctions outside the JCPOA. The JCPOA is a discrete agreement about the nuclear program, not about these other activities.

So it's clear that's one separate avenue. Don't confuse the two. Don't conflate the two, because that's what I've heard all morning. It's just not right.

Mr. BILLINGSLEA. The two should not have been conflated but they were—no, you're not—you're not right.

Mr. KEATING. I am not right? Tell me why I am not right.

Mr. BILLINGSLEA. The European Union imposed not a single sanction on the Iranians since the JCPOA was completed—not one—and I experienced this first hand when we were trying to go after Iranian terror organizations and the Europeans would refuse to do it——

Mr. KEATING. You're going right back to it. I am talking about the agreement that was discretely a nuclear agreement.

Mr. BILLINGSLEA [continuing]. Every time we tried——

Mr. KEATING. And you're jumping back to something that we——

Mr. BILLINGSLEA [continuing]. Every time we tried to act.

Mr. KEATING [continuing]. Have alternate sanctions for and every other set of experts we had in front of us since I've been here has said——

Mr. BILLINGSLEA. Every time we——

Mr. KEATING [continuing]. The two things weren't exclusive.

I am going to move on to Russia because I take umbrage to you saying I am wrong. I am not wrong, and every expert that's come in front of us, before us, then is not wrong.

So let me talk about Russia. You place sanctions on certain defense companies and entities. We had—Mr. Sherman said clearly you're not doing it on the state of Russia. So you did it on some

defense industries, but you didn't do it—it was patchwork. You didn't do it on all of them, and why isn't the administration not implementing sanctions on, you know, Sukhoi, which is—continues to enable Russian activities in Ukraine and Russian activities in Syria? Why are you making these determinations and leaving out companies that have constantly—they're doing it right now.

Mr. BILLINGSLEA. That's a great question. We are looking at Sukhoi. Obviously, we are very concerned that their aircraft may have been used in chemical weapons attacks on innocent people in Syria, for instance, and if that proves to be the case that's unacceptable.

Mr. KEATING. My time is up. But I would want to reiterate what the chairman and other people have about Nicaragua. The threats to people like Reverend Jose Alberto Idiaquez and other people specifically are a great threat and it's a continuing area we'd like to work with you on.

I yield back.

Chairman ROYCE. Thank you. We go to Chris Smith, New Jersey.

Mr. SMITH. Thank you very much, Mr. Chairman, and thank you to our two assistant secretaries. You answered many of my questions previously today so I will just cut to one final set of questions.

As you know, an effective sanctions regime presupposes financial transactions denominated in dollars with the dollar functioning as the global reserve currency.

China and its allies, however, have been attempting to attack the dollar, thus U.S. power, by supplanting it with the yuan. In Africa, for example, government officials from 14 African nations from eastern and southern Africa met in Zimbabwe earlier this spring to discuss using the yuan as a reserve currency.

China recently engaged in a $2 billion currency swap agreement with Nigeria and just a few weeks ago African leaders met in Beijing where they were offered $60 billion in Chinese financing which includes a focus on African countries doing bond issuances in Chinese currency.

This move away from the U.S. dollar regime is exacerbated by U.S. dollar shortages which makes currency swap arrangements with China all the more attractive.

China's interest in actually propping up corrupt rulers and helping them circumvent anti-corruption monitoring and eventually a sanctions regime countless African resources are being sold in yuan without any global accountability.

In Congo Brazzaville, for example, the Congolese Government signed a yuan convertibility agreement that allows Chinese businesses to operate in the six-country central African states region unhampered by the U.S. dollar regime.

China's gambit has even been abetted by sensible allies like German Foreign Minister Heiko Maas, who recently called for "a global payment system free of the U.S. dollar."

It appears that the U.S. dollar regime on which our sanctions system is built is under threat. I wonder if you could tell us what Treasury and State are doing to address this concern.

And, secondly, could the use of block chain technology among financial institutions help with compliance with a U.S. sanctions regime?

And I yield to our distinguished assistant secretaries.

Mr. BILLINGSLEA. Thank you, Congressman.

On the currency swap issue, I mean, you're very much onto something of great concern to us as well.

That said, there remains a great desire among most of the countries in Africa to maintain correspondent banking relationships with U.S. banks and at the end of the day they still, I think, are finding it necessary to ultimately clear trade in U.S. dollars.

But it's the maintenance of those correspondent banking ties that is our best line of defense ensure that we maintain not just a degree of transparency and visibility into the transactions occurring in Africa but also for the effective insular sanctions regimes, as you pointed out but further to ensure that effective anti-money laundering standards are being applied and implemented.

One of our big concerns in line with Chinese actions not just in Africa but around the world are very opaque debt-focused infrastructure transactions that we are not clear that some of the countries involved really understand the financial risks downstream of what they're committing to. So transparency in lending is another big issue.

Finally, on block chain, as with all innovative technologies there are going to potentially be a great force for good and also a potential complicating factor for some of the regimes that we have in place.

Distributed ledger technology is going to revolutionize the financial services sector and we very much encourage that and look forward to that, and I think as it evolves it will actually improve anti-money laundering regimes.

But the same technology also underpins virtual currencies and there is an urgent need for the world to really step up through the Financial Action Task Force and effectively regulate in a uniform way virtual currencies.

Ms. SINGH. Thank you, Congressman.

I will just quickly second my colleague's comments on both China and block chain. We at the State Department remain very concerned about China's practices globally. We all know what happened with the port in Sri Lanka. It ended up being a very bad deal—a bad situation for the Sri Lankans.

We've also seen recently that the country of Malaysia has not moved forward with certain transactions with China. We are encouraging our partners and allies to think twice before entering into transactions based on these simple examples.

Mr. SMITH. I thank you.

You know, having just returned from Ethiopia, having met with the new prime minister, Abiy, there is a concern among members of that government as well and others in Africa that this debt that is piling up vis-a-vis China is enormous.

So thank you for your answers. They were very, very incisive. I appreciate it.

I yield back.

Chairman ROYCE. Mr. Ted Deutch of Florida.

Mr. DEUTCH. Thank you, Mr. Chairman. Thanks to both of our witnesses for being here.

Mr. Chairman, thanks to you and the ranking member for, again, showing true bipartisan commitment to passing strategic sanctions that are aimed at achieving a targeted foreign policy goal since sanctions themselves aren't, obviously, foreign policy. They're a tool to help us accomplish intended results. The sanctions were never meant to end Iran's nuclear ambitions. We needed to bring them to the table and I just want to start with Iran and then ask a couple questions about Russia.

You had said earlier that the goal is to get—Ms. Singh, I think you said the goal is to get the purchase of Iranian crude oil to zero by 11/5.

So I would just like to know—we know about the biting sanctions that are set to snap back on November 4th. I've spoken to some of our European friends who said that they're trying to understand what the administration is trying to achieve, whether we want constraints to continue on Iran's nuclear program.

So the goal is one thing. How we get there is another, and if—whatever the goal is, which we could talk about—if we are trying to get there by driving down the sale of Iranian oil and gas the question is what are we telling our allies—what are we—do we—I guess the simple question is do we expect that to happen?

Do we think it's going to get to zero on November 5th? We've given time for this to ratchet down to zero. What's going to happen? And if it doesn't, then are we fully prepared to impose sanctions on our friends as well who don't comply?

Ms. SINGH. Well, Congressman, thank you for that question.

That's the purpose of the wind down period.

Mr. DEUTCH. Right.

Ms. SINGH. We've had the 90 days, the 180 days. November 5th ends the wind down period. So it is a ratcheting down. It gives our partner countries a chance to seek alternate energy sources.

But we are serious about penalizing the Iranian regime. This has been one of the methods that we've determined will impose the greatest cost on the Iranian regime.

Mr. DEUTCH. I understand. Have we seen that wind down? Have we seen it from our allies? Have we seen China take steps to wind down and do we think we are going to get to zero on November 5th, and if we don't, then what?

Ms. SINGH. Well, we are seeing cooperation from our allies and if we don't get to—we are prepared to impose the second round of sanctions.

I mean, we've made it clear that the wind down period is a time for countries to be able to comply with the sanctions that will be fully in place again.

So we have seen some cooperation for—and since we've seen 80 companies from the private sector——

Mr. DEUTCH. I appreciate that. I am sorry. I don't have a lot of time.

Are we prepared to sanction central banks in Europe if they maintain relationships with the central bank of Iran?

Ms. SINGH. We are prepared to do everything that the JCPOA withdrawal entails.

Mr. DEUTCH. Should we expect it to happen on November 5th?

Ms. SINGH. Well, Congressman, again, we are prepared to fully reimplement sanctions.

Mr. DEUTCH. On November 5th, if we are not at zero and if those relations continue.

Let me just ask, since I don't have a lot of time—do we know—do either one of you know whether the President brought up either Iran sanctions and cooperation on Iran sanctions or our imposition of Russia sanctions in his meeting with Vladimir Putin?

Mr. BILLINGSLEA. I am not sure that that topic was raised. All I can tell you is the guidance within the Treasury Department to continue to massive pressure campaigns has not changed.

Mr. DEUTCH. Is it—and I ask this—I ask this honestly. I am not trying to make a political statement here. It just seems difficult that you're doing the important work that you're doing imposing sanctions and the message coming from the White House about policy—not sanctions but about policy—is seemingly—seemingly stands at some points in contrast to the important work you're doing.

So, for example, when we are focused on Russia sanctions because of what Russia did to the United States in our last election and the President, on a stage with Vladimir Putin, says, I hold both countries responsible—I think the United States has been foolish—I think we have all been foolish—I think we are all—we are all to blame, it doesn't seem consistent with the work that you're doing.

Is it hard for you to continue to focus on sanctions to get to a policy end when the language coming out of the White House and in particular from the President seemingly diverge from accomplishing that same policy goal?

Ms. SINGH. Congressman, our policy throughout the administration is consistent whether it's the Treasury Department, the State Department, or the White House.

Our policy is that we will not tolerate and we will actively prevent anyone from attempting to interfere in our elections.

The President has signed an Executive order just yesterday imposing penalties for anyone we find who has interfered. We are talking proactive measures with—throughout the inter agency.

Mr. DEUTCH. I know that, Ms. Singh. I know. No. No. And I know that.

Ms. SINGH. But I just want to make sure you know that——

Mr. DEUTCH. I do know.

Ms. SINGH [continuing]. The White House policy is consistent. We are all working together toward one common goal.

Mr. DEUTCH. I do know. I am just—okay. Well, you, obviously, don't see any divergence. It just seems to me that that common goal is a lot harder for us to focus on when the President of the United States, when asked, do you hold Russia accountable, says, I think that both countries are responsible—that the United States has been foolish.

The message from the President should be entirely consistent with the policy that you're trying to carry out and that you, Mr. Billingslea, are trying to carry out and too often, unfortunately, it is not.

And I yield back.

Ms. SINGH. But the President's policy is reflected in the Executive order that he signed yesterday, Mr. Chairman.

Chairman ROYCE. Mike McCaul of Texas.

Mr. MCCAUL. Thank you, Mr. Chairman.

Iran's Revolutionary Guard Corps—the IRGC—is a terror organization, a terror arm of Iran. At one point, I know the administration talked about designating it as a foreign terrorist organization.

I introduced a bill to do that and also a bill to sanction the IRGC. Can you tell me where the administration is on this issue?

Ms. SINGH. Congressman McCaul, we remained very concerned about the IRGC, as you have indicated. I don't have an answer to that question. I can get back to you.

Mr. BILLINGSLEA. The IRGC is an organization and the vast majority of its shell companies are already under Treasury sanctions, and we continue to target them very aggressively.

The Quds Force within the IRGC—the Quds Force, of course, is the source of the truly evil behavior in support of these various terrorist organizations, Qasem Soleimani leading that group.

The thing about the IRGC also that I think really needs to be highlighted is their role in the endemic corruption within the Iranian economy—the case study of how the IRGC alone looted $5 billion from the municipality of Tehran and left them in a complete bind is not getting told to the extent it needs to be.

So it's not just the terrorism outside of the country and the fact that they're moving hundreds of millions of dollars for terror operations globally and trying to conduct assassinations in Europe and other things.

It's also what they're doing domestically inside the Iranian economy that needs to be showcased.

Mr. MCCAUL. Yes, I tend to agree, and yes, if you could get back to me on that question. They've taken all the sanction relief money and funnelled it into terror operations. Forty percent increase in military in Iraq and Syrian, Lebanon—weapons—you know, rockets being manufactured, on and on.

On the issue of China, they steal about $600 billion annually from the United States, mostly intellectual property theft, technology transfer theft. They have a 2025 plan to be militarily and economically dominating on the world stage.

Has the administration looked at sanctioning China for its theft of intellectually property? Twenty million security clearances including mine and there were no consequences to that behavior.

Yes, ma'am.

Ms. SINGH. Congressman, we are very concerned. As you know, this is the highest priority for the President is addressing the practices by China that steal our intellectual property—that steal our innovation. The force technology transfer—of course, we know of reports of Chinese officials coming here, taking technology back, and reverse engineering them.

As you may know, we've instituted a 301 initiative which heavily penalizes China on many different fronts. We are utilizing the World Trade Organization—the WTO—direct bilateral penalties, the tariffs, the serious significant historic tariffs imposed upon China.

All of these are economic measures intended to demonstrate to China that they need to take us seriously when we have directed them to stop stealing our intellectual property. Our companies should not be forced to transfer their technology in order to do business in China.

Chinese companies are able to come to business here freely. Our companies should be able to go there as well.

And, of course, as you know, with the new FIRRMA bill the update of CFIUS—the Committee on Foreign Investments in the U.S.—we will be screening investment carefully through the mechanism as well, which will address some of the problems with emerging technologies and the China 2025 program that you had mentioned.

Mr. MCCAUL. When I was a young Federal prosecutor at Justice, I prosecuted Johnny Chung, who led us to the director of Chinese intelligence putting money into the Clinton campaign.

It's not the first time a foreign power has tried to influence our election and in that case it was about technology transfer. It was China aerospace, satellite technology, and weapons. And so I just highlight that as an illustration.

Finally, I think your job, Ms. Singh, is very important because when I talk to a lot of African Ambassadors they talk about China—and you talked about Sri Lanka and they're in Djibouti and they over leverage these African nations and exploit their natural resources with their own workers, not the African workers, and then they can't pay these balloon type notes at the end of the day and then they take over ports and things like that.

So I hope that you will encourage your Ambassadors to be aware of this, and when I asked the question, why do you deal with China, they said, because you're not there—Americans aren't here. And I think your Ambassadors have a role to play with respect to economic interests of the United States.

Ms. SINGH. Thank you, Congressman.

We hear that message and, in fact, I am committed to trying to increase our economic engagement with Africa. So as you have indicated, they will have an alternative to China because that is simply the case in many instances where African nations don't know that they can deal with us rather than the alternative of China. I commit to you that we will make that a priority at the State Department.

Mr. MCCAUL. Well, I applaud you for that. Thank you.

I yield back.

Chairman ROYCE. Brendan Boyle of Pennsylvania.

Mr. BOYLE. Thank you, Mr. Chairman. I hadn't planned on speaking about this but I just want to echo 100 percent what Congressman McCaul said—the last part anyway—as it regards to the dramatic investment China is making in Africa and the fact that we are asleep at the switch.

I just had a constituent—a former head of the Philadelphia Black Clergy—come back and he actually wants to come and speak to Congress about this because he was so alarmed at the foothold that China is building in Africa while we are doing nothing.

But in terms of what I wanted to ask about, one of the real successes of the Obama administration was getting our European al-

lies on the same page as it relates to sanctions against Russia, which was a bit of a challenge because they end up bearing a little bit more of the cost financially than we do, especially those countries that are closer to Russia.

Given the deterioration in relations that we've had with some of our EU and NATO allies, I want to know what this administration is doing right now to make sure that we keep the Europeans on the same page as it relates to the hard-hitting sanctions on Russia.

Ms. SINGH. Thank you, Congressman.

We have very close relationships with the EU and our allies there. I think it's a myth that our relationships are deteriorating.

We at the State Department——

Mr. BOYLE. Excuse me. Reclaiming my time.

It is not at all a myth. You need only have an off-the-record conversation with any one of the members of the ambassadorial corps and other officials, whether it's NATO or the European Union.

I recently returned with a bipartisan validation from Sofia, Bulgaria, as part of the European Union-U.S.-NATO parliamentary exchange or dialogue—a group that has been going on for decades—and as one of their senior members has been involved within the '80s who was a member of a center right party in Germany expressed to me, he's never been more alarmed about the state of relations between the U.S. administration and NATO member countries.

So anyway, what are we doing right now to make sure they keep the sanctions on Russia as they are an important part of their success?

Ms. SINGH. That's a very important question, and I can tell you Secretary Pompeo is committed to working with the EU and EU member states to make sure that we impose costs and pressure on Russia.

We have continuing ongoing conversations with them about utilizing our sanctions authorities as well as United Nations sanctions authorities to work together to pressure the Russian regime to change its actions.

Mr. BILLINGSLEA. I will give you a concrete example. I was just in Scandinavia together with one of Manisha's deputy assistant secretaries coordinating actually on this topic. We rely very heavily on a couple of key countries within the EU to maintain that pressure and to maintain those sanctions.

In fact, one of the things we have to work through with Brexit is that we are losing our Five Eyes partner inside the EU. And so we are actively exploring alternative approaches to have countries very actively supporting continued pressure on Russia.

Mr. BOYLE. Let me, just in the minute and a half that I have remaining, shift gears toward Iran.

One of the most encouraging developments that I've seen in Iran is what is happening on the street—these remarkably brave ordinary Iranians who are protesting their own regime.

They offer, in my view, real hope for potential for change in this awful regime that has ruined their country since 1979.

I want to know in what way is our sanctions policy working in coordination with that and hopefully not at cross purposes with what is going on in the street.

Ms. SINGH. Well, Congressman, thank you for that.

One of the things that we try to do—one of the activities that is exempted under our sanctions regimes are coordination and communications. You know, we want——

Mr. BOYLE. That's right. Let me just clarify. I don't necessarily mean in campaign politics we would distinguish between hard dollars and soft dollars.

I mean more in terms of an independent expenditure to draw the analogy more in terms of the ways—not in hard coordination but the ways that our policy complement the same goal that the protestors have on the street, not that we are necessarily in direct coordination with them.

Ms. SINGH. I understand that, and our goal is very much to return the governance of Iran to the Iranian people.

Mr. BOYLE. Right.

Ms. SINGH. The students that you mentioned—we believe that the students, the fresh voices in Iran, are the future of the country and that's the example I was going to give you is the communication that flows through them. So these ideas coming from the West that we support the people. We have a problem with the Iranian regime—the government. We support their voices. We support these students who want to take control of their own country.

Mr. BILLINGSLEA. Two additional points on that. You know, they're protesting because Iran is——

Mr. CONNOLLY. Mr. Billingslea, you have got to move the mic closer so we can hear you. Thank you.

Mr. BILLINGSLEA. I am sorry, Congressman Connolly.

The ayatollah and his inner circle run the Iranian economy to their own benefit and the protests in many ways reflect the fact that the Iranian people are fed up with that.

Mr. BOYLE. Correct.

Mr. BILLINGSLEA. And this currency peg where they actually favored regime insiders with preferential trading rates as the currency continues to weaken is a good example.

So we are very focused on that and focused on calling out and also identifying the key economic players under the control of the ayatollah and the Supreme Leader and the IRGC for additional pressure and sanctions.

Chairman ROYCE. We go to Mr. Ted Poe of Texas.

Mr. POE. Thank you, Mr. Chairman.

I applaud the sanctions applied to Iran's Islamic Revolutionary Guard. My bill, H.R. 4238, the Iranian Proxies Terrorist Sanctions Act, would apply the same E.O. 13224 terrorist sanctions on two of the most dangerous Iranian proxy militias in Iraq and Syria.

Can you describe the effect of these Executive orders—the specific sanctions that have already had on the IRGC and do you support sanctions against As-Saib Ahl Al-Haq and Harakat Hizballah Al-Nujaba?

Before you answer that question, I want to give you a little bit of background. Recently, congressional staff was in Baghdad, the fortress of the Baghdad Embassy, and the Embassy there scoffed at this legislation, saying they opposed the legislation. Soon after that comment was made, there were mortar attacks from As-Saib Ahl Al-Haq at the Embassy.

So do you take the same position as the fortress Baghdad takes or what is your position on these two terrorist groups that already have blood on their hands?

Mr. BILLINGSLEA. So, Congressman, I would, also as a former congressional staffer on the Foreign Relations Committee, I would never scoff at any piece of legislation.

I am not familiar with the particulars here. I want to look at it and get back to you on the details. I will tell you, from the Treasury standpoint we are very concerned about what the Iranians are trying to do with these paramilitary groups in Iraq. They are attempting to replicate the play book that they've exercised with Hezbollah, the Houthis, and others by creating, basically, rival power sources in the form of these militias.

We have been going after the different conduits in Iraq that the Iranians are using for terror operations for financing. We took down, together with the Iraqis who are actually really great partners on this—the central bank governor in particular—we took down one of the major banks that they were using to flow money through fairly recently.

Mr. POE. Excuse me. My question is not about what we've done. It's about what we are going to do in the future. Do specific terrorist groups with American blood on their hands—do you think that they should be sanctioned or not? That's really just the question.

Mr. BILLINGSLEA. Well, if they've got American blood on their hands, we need to go after them. I need to dig into the details of what you have in your legislation, though.

Mr. POE. Okay. That's a fair answer.

Any other comment?

Ms. SINGH. I would just echo my colleague—Assistant Secretary Billingslea's comments. We would need to take a look at the legislation.

But as far as these terrorist groups, we need to impose the most severe penalties as possible. We are very concerned about what's happened recently at our Embassy in Baghdad, and thank you, Congressman, for recognizing that.

Mr. POE. Well, I just want to reiterate it's a little disturbing to me that the State Department and Embassy people quickly scoff at going after terrorists and I want to know whether or not that's going to be the position of our Government or is our Government going to go after other terrorist groups that have caused mischief—blood on their hands? The Iranians will do anything necessary, I think, to retaliate and cause crimes against folks—Americans and Iraqis—in Iraq.

So I would appreciate a thorough response or a thorough study and then a response from the both of you on this legislation, and thank you both for what you do.

I yield back to the chairman the rest of my time. I know that's a shock to you, Mr. Chairman, but I yield a minute back to the chair. [Laughter.]

Chairman ROYCE. Judge, thank you. You're a great example to the rest of us.

Gerry Connolly of Virginia.

Mr. CONNOLLY. Thank you. My good friend from Texas could have given me that minute.

No. Thank you, and thank you, Mr. Poe, and welcome, both of you, and I didn't realize, Mr. Billingslea, we have something in common. You were a staff member of the Senate Foreign Relations Committee, an honored revered title here, at least in this little corner of the world.

I want to talk a little bit about the law and about cooperation, and——

Mr. BILLINGSLEA. Congressman, Manisha too. She was general counsel over there.

Mr. CONNOLLY. Oh, my God. All right. Well, you—God bless you, both of you.

So since you both helped write laws, when Congress passes a law and the President signs it, like he did CAATSA—and I will remind you the vote was overwhelming. Ninety-eight to two in the Senate and 419 to 3 here in the House. That's about as unanimous as you're going to get in the United States Congress at any time.

So the President signed that into law. Would you agree that law is binding?

Mr. BILLINGSLEA. Absolutely.

Ms. SINGH. We would.

Mr. CONNOLLY. Was that—I am sorry, Mr. Billingslea.

Mr. BILLINGSLEA. I am sorry. Absolutely.

Mr. CONNOLLY. Ms. Singh?

Ms. SINGH. Yes, we would.

Mr. CONNOLLY. So it's mandatory. It's binding. So why then would the sanctions that are mandatory in that law—why are Sections 225, 226, 227, 228, 233, and 234 not yet invoked? Only one of the seven areas of sanctions has been invoked even though we all agree it's the law of the land and binding?

Mr. BILLINGSLEA. So there are a couple of reasons for that. First of all, these sanctions that are contained in those provisions are prospective. They're forward looking, and it does take us time.

There's lag between when I get the intelligence necessary for us to us to put the packages together. But we will be imposing sanctions under those sections as we go forward.

Another key point here, though, is that it's not just CAATSA. There's a number of other pieces of legislation actually dating from our time and from your time as well that are sanctions authorities. We also have Executive orders that give us authorities and we want to get onto the target as quickly as we can with as minimal fuss as possible to have the effect we need to have.

And so while we may not have invoked a particular section under CAATSA, the pertinent parallel Executive order that predated in many cases we have used those and you will find sanctions imposed in many, many cases that are consistent with the intentions of CAATSA even if not formally under those statutes.

Mr. CONNOLLY. Okay. That's good—that's heartening to hear. I think that's the first time we've heard that and that is heartening.

Sometimes when one—going to efficacy, sometimes one wonders why we don't do certain things that are at our disposal, and let me give an example.

North Korea, to break sanctions, to continue to trade with other countries, needs access to ports and that gets to marine insurance, and one of the tools at our disposal is to cut them off—that we simply will not allow marine insurance for their shipping or ships in a third country flag that do business with North Korea.

We haven't done that. That's at our disposal but we haven't done it, and that would—that potentially could cripple their ability to cheat on sanctions.

Are we looking at tools like that, even if Congress hasn't specified that? But they're clear and obvious tools that would significantly tighten the economic screws on North Korea.

Ms. SINGH. Congressman, that's a very good point about the shipping sanctions and we are considering all tools at our disposal.

As you know, with sanctions, we look at everything very carefully, deliberately. A lot of times there's a pressure campaign. We start with certain sanctions and then we ratchet up.

In the case of both Russia and North Korea we are determining how our sanctions will have the most bite and we progressively increased the pressure to have the maximum amount of effect.

And, you know, we agree with you about the North Korea—the shipping sanctions. That is something that is fully under consideration. We want to use absolutely every tool and as you have very correctly observed, that would be a strong tool to seriously impact the North Korean regime.

Mr. CONNOLLY. Well, in my last 25 seconds, let me also just make a statement. I could not disagree with Mr. Zeldin of New York more. By ripping up a nuclear agreement with Iran, negotiated with our allies, that was working, and negotiated with our adversaries, China and Russia, it was actually working.

It was verified as such. I think it makes it harder to get compliance with allies on sanctions when we rip up our own agreement—our own U.S.-led agreement. I think it makes us less reliable and I think, frankly, it dilutes the efficacy of sanctions we want to reimpose.

So I think it was a very misguided and mistaken decision and I wish Mr. Zeldin were here to hear that. I thank you both for being here and thank you for your wonderful service on the Senate Foreign Relations Committee.

Thank you, Mr. Chairman.

Chairman ROYCE. Thank you.

Mr. Ted Lieu of California.

Mr. LIEU. Thank you, Mr. Chair.

Russia continues to supply arms equipment to Syria as well as Iran and my question to you is how much as the U.S. sanctioned Russia for providing those sorts of assistance to countries like Iran?

Mr. BILLINGSLEA. Assistance to Iran, not so much. But what they're doing with Assad we've targeted the main export engine of the Russian Government, which is Rosoboronexport and their bank.

They control a bank, and by doing—and we sanctioned them for—in connection with the atrocities Assad has committed. That's actually complicated their ability to conclude a number of arms deals around the world.

Mr. LIEU. So I've been told there is a Russian company, Sukhoi, that has provided support to Iran. What's the reason we haven't sanctioned that company?

Mr. BILLINGSLEA. Well, so Sukhoi fighter jets are all over the place, not just with Iran. But also Sukhoi passenger jets are in service here in the United States and other places. So I think we need to kind of keep that in mind.

As I had responded to a similar question earlier on Sukhoi, we are looking into that very carefully because we cannot agree that any Sukhoi support is given, particularly if chemical attacks are launched on citizens—innocent people in Syria.

Mr. LIEU. Okay. Thank you.

So I note that you're the Assistant Secretary for the Office of Terrorist Financing and Financial Crimes. So let me ask you a few questions on money laundering.

The Russians and the Kremlin, they do engage in money laundering, correct?

Mr. BILLINGSLEA. Correct.

Mr. LIEU. And is one of the ways they do it by buying up real estate in the United States such as condos?

Mr. BILLINGSLEA. That is a persistent suspicion we have. That is a really hard challenge for a variety of reasons.

But in line with that thinking we have established a series of geographic targeting orders that are designed to have the real estate community conduct due diligence into who really is underneath these various real estate transactions and then they have to report that back to FinCEN.

And very recently, my office made the policy recommendation to get more reporting by reducing the dollar threshold for that reporting obligation because it's not just in the case—it's money laundering in general where we see real estate is a favored vehicle for value transfer.

Mr. LIEU. Does your office investigate these kinds of allegations?

Mr. BILLINGSLEA. My office is the policy shop that also handles all the international engagement. But within the territory of the United States, the part of the Treasury responsible for the investigative functions would be the Financial Crimes Enforcement Network—FinCEN.

Mr. LIEU. There has been some public reporting that a significant number of Russians purchased a lot of condos owned by the Trump organization. Are you aware of that?

Mr. BILLINGSLEA. I've seen press reports on that but not—I mean, all over New York.

Mr. LIEU. And do you know if that's true?

Mr. BILLINGSLEA. I don't know if that's true.

Mr. LIEU. Okay. I would like to move on to North Korea. The President has engaged in a trade war with China. Have you seen China lessen their sanctions against North Korea or China taking other actions to help North Korea in the wake of the current trade war with the U.S.?

Ms. SINGH. We remain committed to having conversations with China to instill upon them that we need their cooperation on North Korea including decreasing trade with North Korea.

Mr. LIEU. So I've been at various briefings where some of the experts have said in fact China has been helping North Korea more than they used to. Is that true?

Mr. BILLINGSLEA. I think the President has been very clear that he needs to see China step it up.

Mr. LIEU. Has China engaged in more trade with North Korea in the last few months than they have before?

Mr. BILLINGSLEA. I think we are watching the cross-border traffic very carefully and I think we are concerned about that. The big thing to focus on though is the ship-to-ship transfers in the China Sea and we need to see more policing to disrupt those transfers because that's how North Korea is getting around the U.N. Security Council oil sanctions.

Mr. LIEU. Have more North Koreans been allowed to work in China in the last few months?

Mr. BILLINGSLEA. I don't know about more working there but they continue to operate there, which is why this very morning we sanctioned an IT sweatshop—actually a couple, one of which was operating in China and another in Russia.

Mr. LIEU. Has China ever said or implied that if this trade war gets worse or continues that they will take certain actions in North Korea that the U.S. may not like?

Ms. SINGH. Well, Congressman, I think I can address that. We are keeping those dialogues separate. We need cooperation with the Chinese on North Korea. It is just as much in their interest to have a denuclearized North Korea as it is in ours.

Our trade conversation with the Chinese is separate. As you know, our trade issues with the Chinese have been going on for decades. We've been having conversations with them in the form of a strategic economic dialogue—a strategic and economic dialogue.

So this President came in and decided that conversations with China were not working. He was going to have to take serious action on our intellectual property on the theft of our innovation from American industries, their state-owned enterprises—a litany of things that you're aware of.

So our trade conversation is happening. We still expect full cooperation on North Korea. We've told the Chinese that it is very much in their interest to cooperate on North Korea as well.

Mr. LIEU. Thank you.

Chairman ROYCE. Thank you.

We go to Tom Suozzi of New York.

Mr. SUOZZI. Thank you, Chairman Royce. Thank you, Ranking Member Engel, for holding this hearing. Thank you to our two witnesses today. You have got big portfolios—a lot of different things to focus on.

I am really mainly focused today on Russia and its malign activities in Europe and Eastern Europe. Because of our focus in America on the partisan issues related to the 2016 elections, I think we've lost focus on how much Russia is doing to undermine democracies in Europe and Eastern Europe and I think we need to call more attention to that.

And I just want to use your language, Ms. Singh. Russia poses a threat to our national security on many fronts. We have wit-

nessed Russian aggression globally threatening our partners and allies.

Russia is just a grave a threat to our European allies and other partners from conducting targeted chemical weapons assassinations in the U.K. to using energy as a weapon.

And Mr. Billingslea, I just want to quote from you the different remarks that you put in your testimony—Russia continues its occupation of Ukraine and Crimea and subversion of Western democracies, and for decades Russia has been developing complex and resilient networks to raise, transfer, hide, and obscure the origin and movement of proceeds generated through illicit financial activity including corruption, sanctions evasions, and arms sales. The scale and sophistication of Russia's malign activity is far more advanced than that of other states currently subject to broad U.S. sanctions.

And so I got a report from the Congressional Research Services about the sanctions, which designations have been made in those that have not been used and you talked earlier before about the use of Executive orders versus CAATSA, and I want to ask you, first of all, do you think that we are doing everything that we can do?

Because when I look at the sanctions that we've done, we've only done broad sanctions on nine out of 100 of the largest companies in Russia and we've only used more targeted sanctions in 23 out of the top 100 companies in Russia.

And I want to suggest that we could be using some more sanctions related to Section 224 of CAATSA related to this specific area that I am talking about.

So my question is do you think we are doing everything we can do, can we do more, and do you have enough resources and authority to do everything you think we should be doing?

For both of you.

Ms. SINGH. Thank you, Congressman. I will start off very quickly.

We do have the authorities and we are continually exploring what more we can do to ratchet up the pressure on Russia. I would say when it comes to actually imposing sanctions, just the fact that we have these authorities and our ability to implement them has given us significant leverage. We have seen that Russia has lost billions of dollars in transactions from the private sector because our companies know that they would be subject to our CAATSA sanctions, the primary——

Mr. SUOZZI. But they continue these malign activities. So the question is can we do more and should we be doing more, if only nine of the top 100 companies have the broad sanctions against them.

Ms. SINGH. I think, Congressman, we should be doing more. I think we should be increasing the pressure on Russia.

Mr. SUOZZI. And do you have the resources to do that?

Ms. SINGH. We do have the authorities that we need but we are always——

Mr. SUOZZI. Not the authorities. The resources. Do you have enough personnel in order to be implementing these sanctions against these large companies?

Ms. SINGH. Well, the State Department is known for using limited resources very wisely. We deploy our personnel very effectively.

Mr. SUOZZI. Okay. So you don't have enough resources.

How about you, Mr. Billingslea?

Mr. BILLINGSLEA. Thanks, Congressman.

One key point, though, particularly in the cyber domain where you're focused on 224, the size of the company may not really be the right metric. It's sort of what they——

Mr. SUOZZI. I am only suggesting that as one thing that's got very broad applicability to this particular area. But you have got other authorities that have not been any designations under CAATSA that you could be using, I believe, to try and hold these companies accountable. But continue.

Mr. BILLINGSLEA. Sure. I know. But 224 in particular has been a very valuable authority that you gave us. We've used it in nine cases so far against Russian cyber actors and then there have been a variety of other areas where an Executive order—some other legal authority got us onto the target faster so we used a different avenue.

But in total, we've gone after 34 of these cyber players for various——

Mr. SUOZZI. Do you think you could be doing more?

Mr. BILLINGSLEA. Absolutely.

Mr. SUOZZI. Do you have the resources necessary to do that? Do you have enough personnel dedicated to this function?

Mr. BILLINGSLEA. I would love to work with you on that.

Mr. SUOZZI. Okay. Thank you very much, Mr. Chairman.

Chairman ROYCE. Thank you.

We go to Norma Torres of California.

Ms. TORRES. Thank you, Mr. Chairman.

I do have a couple of questions that I hope both of you will comment on, and I am sorry to be jumping continents.

Mr. Billingslea, I am very concerned about the current situation in Guatemala. As you may already know, the President of Guatemala, President Morales, has been working with a group of corrupt politicians to undermine the fight against corruption there, specifically, the work of CICIG.

I worry that if we don't do more to deter this backsliding of the rule of law, Guatemala could break down into chaos and we could see the real crisis or an even bigger crisis at our southern border.

So my question is what is the role of sanctions in our policy toward Guatemala and what kind of sanctions would be most effective in making clear that the U.S. will not stand idly while the Guatemalan President and his cronies allows years of progress to be turned back, utilizing our own equipment that was gifted to them?

Mr. BILLINGSLEA. So, Congresswoman, you have put your finger on a really crucial issue. Ultimately, the Department of State is responsible for CICIG and the reformation process there.

But we are watching the situation very closely. The tools we have would include, among other things, if we identify a financial institution that's being used to launder funds and it's touching the

U.S. system, then the various provisions of the Patriot Act are available to us to go after.

We do expect and demand that Guatemala implement anti-money laundering regimes and reforms, and then in the event that we see and can document and working with the prosecutor can document corruption actions, the Global Magnitsky Act in particular is the tool that we use to impose consequences on people for those kinds of actions.

Ms. TORRES. I certainly hope that your office is closely watching the actions. I am very alarmed at what is going on right now with the army mobilizing within the capital.

Ms. Singh.

Ms. SINGH. Thank you, Congresswoman. We are very concerned about what is going on in Guatemala and we are looking at CICIG. The U.S. supports a reformed CICIG. We want to see more transparency, oversight, and accountability. It's an institution—it's an entity that should transfer more of its capacity back to the institutions. But we do share your concerns and we are monitoring the situation closely.

Ms. TORRES. I am not sure what you mean by transparency, and although I do agree that more of the work after 10 years should have been already transferred to the Guatemalan institutions.

However, I do want to point to you, and I am sure you already know—I don't have to educate you on this—is that the Guatemalan congress has not been able to pass laws to address their own issues of corruption and transparency.

So on what ground do we stand to say transfer the power or authority to an institution that has shown that they are willing to be on the record to find themselves or to refuse to allow themselves to be put before a court to investigate their own crimes?

Ms. SINGH. Congresswoman, you raised a very good point and that's exactly what we are looking at. We do want to find ways to increase the oversight and accountability for the entire situation.

Ms. TORRES. Please don't miss that mark. I think, you know, a lot of times we've done a great job but sometimes we have—it's like head in the sand and when we don't send a very, very clear message then we end up with people coming to their own understanding on things.

We do not want to empower the drug cartels. We don't want to empower what is happening there now. So I want to just be very clear with both of you that if we don't do anything now, if we continue to stand idle and allow them to move forward with their effort of intimidating reporters, of intimidating human rights people there, activists—then we are responsible for what ends up happening there and we will continue to be responsible for the number of children that are being held in ICE cages in our southern border, and that is what we need—that is the bigger picture that we can't lose sight of.

And, Mr. Chairman, I've ran out of time so——

Chairman ROYCE. Thank you, Congresswoman Torres.

Ms. TORRES. Thank you for that.

Chairman ROYCE. Thank you. And, again, we thank our panel and the committee stands adjourned. We'll see everyone at 12:30 for our markup.

[Whereupon, at 12:22 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

September 13, 2018

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Thursday, September 13, 2018

TIME: 10:00 a.m.

SUBJECT: Oversight of U.S. Sanctions Policy

WITNESSES: The Honorable Manisha Singh
Assistant Secretary
Bureau of Economic and Business Affairs
U.S. Department of State

The Honorable Marshall Billingslea
Assistant Secretary
Office of Terrorist Financing and Financial Crimes
U.S. Department of the Treasury

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Thursday* Date *09/13/2018* Room *2172*

Starting Time *10:10AM* Ending Time *12:22PM*

Recesses [*0*] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Edward R. Royce

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Oversight of U.S. Sanctions Policy

COMMITTEE MEMBERS PRESENT:

See attached.

NON-COMMITTEE MEMBERS PRESENT:

N/A

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] No [ ]

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

QFR - Ranking Member Eliot Engel and Representatives Steve Chabot, Brad Sherman, Michael McCaul, Paul Cook, Adam Kinzinger, and Jim Sensenbrenner.

SFR - Representative Gerry Connolly

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:22PM*

Full Committee Hearing Coordinator

HOUSE COMMITTEE ON FOREIGN AFFAIRS

FULL COMMITTEE HEARING

PRESENT	*MEMBER*
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X	Tulsi Gabbard, HI
	Joaquin Castro, TX
X	Robin Kelly, IL
X	Brendan Boyle, PA
X	Dina Titus, NV
X	Norma Torres, CA
X	Brad Schneider, IL
X	Tom Suozzi, NY
	Adriano Espaillat, NY
X	Ted Lieu, CA

Statement for the Record from Representative Gerry Connolly
Oversight of U.S. Sanctions Policy
September 13, 2018

The United States maintains dozens of sanctions regimes targeting countries, individuals, and behavior that threaten U.S. national security interests. Sanctions are a means to a policy outcome, and it is important to remember that this foreign policy tool, which has a mixed record at best, is not an end in itself. Sanctions also do not exist within a vacuum. U.S. credibility and the ability to drive an international consensus are key to the successful implementation of any sanctions policy. It is for these reasons that the Trump Administration's failure to respond to Russian attacks on our free and fair elections, botched rapprochement with North Korea, and withdrawal from the Iran nuclear deal are an existential threat to the long-term viability of sanctions as an effective U.S. foreign policy tool.

According to a 2007 analysis by the Peterson Institute for International Economics, sanctions were at least partially successful at achieving stated objectives in 34 percent of documented cases since World War I. Sanctions that sought modest policy changes were successful more than half the time, whereas sanctions aimed at regime change or military impairment had a 30 percent success ratio. Cases that achieved these latter major policy changes tended to involve strong levels of international cooperation, higher costs to the target when sanctions fail, and higher levels of trade between senders and targets than in failed cases. Studies like the Peterson analysis help to guide the application of sanctions. That is why I am pleased that the Government Accountability Office granted my request with Mr. Chabot to update its review of U.S. sanctions policy, which has not been done since 1992.

When it comes to Russia, the Trump Administration cannot seem to find its sanctions pen. On January 6, 2017, the U.S. Intelligence Community released an unclassified report detailing an unprecedented, deliberate, and multi-faceted campaign by Russia to interfere in the 2016 U.S. presidential election. Since then, each day there are more troubling revelations than the last that make clear senior-level Trump officials had undisclosed direct contact with Russian officials during the campaign and the transition. Special Counsel Robert Mueller has already charged four of these officials, including Trump's National Security Advisor, as part of an ongoing FBI investigation into Russian election interference and the Trump Administration's murky ties to Russia. In the last month, Trump's former campaign chairman, Paul Manafort, was convicted and former Trump campaign advisor, George Papadopoulos, was sentenced to jail time after he pled guilty to lying to the FBI.

Despite these findings, President Trump has maintained an inexplicable "bromance" with Russian President Vladimir Putin that culminated in a private, one-on-one meeting between the two leaders in Helsinki last July. Notwithstanding the authorities given to him by the Countering America's Adversaries Through Sanctions Act (P.L. 115-44), the Trump Administration has failed to impose

sanctions against Russia pursuant to six of the seven mandatory provisions of that bill. I introduced a resolution with nearly every Democratic member of this Committee last February calling on the President to stop ignoring the will of Congress and sanction Russia for its malign activities. Last year, Ranking Member Engel and I introduced H.R. 530, the SECURE Our Democracy Act, which would publicly identify and authorize sanctions against foreign persons and governments that unlawfully interfere in U.S. federal elections. Our legislation was referred to this Committee, and we need to mark it up without delay.

In North Korea, the U.S. has been building a strict and comprehensive international sanctions regime for years to coerce Kim Jong-Un's regime to reverse its nuclear weapons program. But why would Kim Jong Un submit to these pressures when Trump already gave the North Korean dictator everything he's longed for – international legitimacy, an audience with an American president, and the cancellation of military exercises with our South Korean ally. President Trump is too busy printing presidential summit coins to notice that U.S. intelligence agencies are sounding the alarm that North Korea is still making nuclear weapons and is escalating plans to conceal its nuclear activities. Meanwhile, Trump has allowed Kim Jong Un to expose daylight between the United States and South Korea, as Seoul proceeds full steam ahead with its own rapprochement. These circumstances raise serious questions about our strategy to achieve denuclearization of the Korean Peninsula, including whether we will grant sanctions waivers to South Korea, which criteria need to be met for sanctions relief, and what is the role of Congress.

Despite lacking evidence of Iranian violations of the agreement, President Trump withdrew the United States from the Iran nuclear deal in May, which will be recorded as one of the most sordid and reckless acts by a chief executive of this country. In doing so, he ejected us from the deal without a parachute. After the U.S. abandoned the deal, Iranian authorities said that Iran would resume its 20 percent uranium enrichment if Europe fails to keep the agreement intact. The probability of a nuclear Iran has now risen exponentially just when we had it under control. And if that happens, the Saudis have indicated they will pursue a nuclear weapon too. And now we're off to an arms race in the most volatile part of the world.

In Russia, North Korea, and Iran, critical U.S. national security priorities are at risk, including the integrity of American democratic institutions and nuclear non-proliferation, particularly among our adversaries. Sanctions are a tool that could help achieve U.S. foreign policy goals in each of these countries and others, when implemented in concert with a comprehensive strategy that incorporates diplomatic efforts as well. The Trump Administration fails to grasp the broader picture, and instead seems to operate an id-driven foreign policy.

Questions for the Record from Ranking Member Eliot Engel
Oversight of U.S. Sanctions Policy
September 13, 2018

Use of Sanctions as a Tool

Question:

What is your view on how the U.S. can achieve the proper balance of employing sanctions against bad actors and adversaries while also ensuring that it does not overuse, and thus weaken, this tool in the future? How are we balancing economic pressure with diplomatic efforts?

Answer:

The Honorable Manisha Singh: Economic sanctions are one of many tools that advance U.S. foreign policy and national security interests. The implementation of sanctions requires constant evaluation of the unique factual circumstances related to our actions, intensive assessment of our national interests, analysis of the impact or expected impact of sanctions, and the development of and adherence to concrete policy objectives. The decision-making process to use economic sanctions therefore takes into account a variety of factors, including broader diplomatic efforts, as well as economic, civil humanitarian, and security interests. We remain committed to undertaking this type of rigorous approach with respect to the use and deployment of sanctions.

In doing so, the State Department, in coordination with other departments and agencies, will continue to work closely with allies and partners to ensure that our government applies diplomatic pressure with strength, prudence, and unity. To this end, the State Department appreciates the opportunity to maintain its close work with Congress to shape and craft sanctions authorities in a manner that will support U.S. foreign policy and national security objectives.

Mr. Billingslea did not submit a response in time for printing.

Question:

How are we working with our allies and partners around the world to ensure maximum sanctions effectiveness over the long term?

Answer:

The Honorable Manisha Singh: Economic sanctions are a diplomatic tool that often work best when carried out in concert with partners and allies. Thus, the maintenance of an effective sanctions regime, whether it be unilateral or multilateral in nature, is generally most successful when it includes intensive engagement with foreign governments. Whether it is the malign activities of the regimes in Russia, Iran, and North Korea, or the thoroughly anti-democratic activities of the Maduro regime in Venezuela, we recognize that the optimal approach to ensuring the effectiveness of our sanctions is to directly engage foreign governments with shared interests and pursue tough, coordinated measures in response. In addition to bolstering U.S. national

interests, this approach helps to limit work-around measures by bad actors, stops backfill by foreign companies, and sends a strong message to adversaries.

Mr. Billingslea did not submit a response in time for printing.

Efforts to Evade US Sanctions in Wake of US Withdrawal from JCPOA

Question:

A recent Politico article stated, "Europe's biggest economic powers are planning to create a "special purpose" financial company to thwart U.S. President Donald Trump's sanctions and help Iran to continue to sell oil in the EU."

Is this happening? In response to US withdrawal from the JCPOA, are countries actually seeking ways to evade the bite of US sanctions by conducting transactions which do not cross into US jurisdiction? Are countries or companies using other techniques which could reduce the effectiveness of US sanctions?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Constructing Effective Sanctions

Question:

Current sanctions penalties across programs generally fall into two categories: 1) sanctions that require a full blocking of assets and prohibition on U.S. (or in the case of secondary sanctions, non-U.S.) persons from interacting with the blocked person or company; and 2) "ISA-style" sanctions that give the executive branch a menu of options to choose from when imposing a sanction. With the proliferation of sanctions programs, are these two models still effective? To make our sanctions even more effective, would it help to have different options? What could those look like? Would a requirement to impose "meaningful" sanctions or something similar, rather than specific types of sanctions, help with effectiveness?

The Honorable Manisha Singh's Answer:

Our current sanctions toolkit is an effective and powerful set of measures that can be used to shape the behavior of rogue regimes and malicious global actors. We recognize that we face determined and enterprising adversaries and we must remain vigilant in adapting as circumstances change. We appreciate our close work with Congress on sanctions and would welcome future opportunities to discuss with members additional sanctions measures – including the "blocking" and "menu" models referenced -- that could further U.S. foreign policy and national security objectives.

Mr. Billingslea did not submit a response in time for printing.

Question:

"Naming and shaming" corrupt officials or others has its merits, but often these individuals don't have any assets in the U.S. and are able to work around being sanctioned. What other tools can we give you to specifically go after corruption and/or corrupt money flows? Is there a whole-of-government approach that could improve the effectiveness of sanctions -- for example, by working together better with the IRS, FBI, and others that focus on this issue?

Answer:

The Honorable Manisha Singh: The Executive Branch utilizes multiple tools under a whole-of-government response to combat corruption, including visa restrictions under Presidential Proclamation 7750 and Section 7031(c) of the Consolidated Appropriations Act of 2018, as well as financial sanctions and visa restrictions under Executive Order (E.O.) 13818, which builds on and implements the Global Magnitsky Human Rights Accountability Act.

The Department of State notes that the designation of individuals and entities under financial sanctions programs as well as visa restriction programs are potent tools in the U.S. Government's anti-corruption arsenal. Designating corrupt officials under E.O. 13818 and Section 7031(c), notwithstanding whether such officials have assets in the United States, has prompted investigations by local officials, increased reporting by local and international press, and raised the public's awareness regarding the designated official's corrupt behavior.

The State Department also undertakes diplomatic and foreign assistance programming that support the Department of Justice and U.S. law enforcement agencies to trace, freeze, and confiscate the proceeds of foreign corruption over which the U.S. has jurisdiction.

Mr. Billingslea did not submit a response in time for printing.

Question:

Sanctions are most effective when there is a clear goal in mind, the sanctions are constructed to specifically advance that goal, and their purpose is effectively articulated publicly. Though this sounds easy in practice, in reality each country and circumstance is very different. Why do you believe the current sanctions regimes on Iran, Russia, and DPRK are working? Are we focused on the right areas? What else should we focus on? If a new sanctions regime is created, how can we work together to ensure the goal and purpose is the right one?

Answer:

The Honorable Manisha Singh: Each sanctions program is individually tailored to address specific challenges, whether it be pressuring governments or actors to modify their calculus on the proliferation and use of nuclear weapons as with our Iran and DPRK sanctions program, or signaling that malign behavior will not be tolerated as with our Russia sanctions program. This

approach is effective in imposing real costs and pressuring these regimes to stop their destabilizing actions.

As we continue to implement these sanctions programs, we must never lose sight of the fact that the goal of sanctions is never for them to be permanent – they are designed to achieve changes that are in the U.S. national interest. We will continue to pursue strategic and impactful sanctions that are not overly broad, and avoid negative collateral effects to the extent possible. We look forward to continuing to work closely with Congress to achieve the desired purposes of these sanctions programs.

Mr. Billingslea did not submit a response in time for printing.

Sanctions Designation Process

Question:

In terms of identifying sanctions targets, Congress has given the Administration both substantial latitude and, in some cases, specific instructions. Could you detail the decision-making process the Administration uses to select sanctions targets and the associated logic?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Staffing Concerns

Question:

What actions are needed to enhance the government's ability to develop and execute sanctions activities?

Answer:

The Honorable Manisha Singh: Congress has granted the Executive Branch powerful sanctions and other tools and authorities to address threats to our national security and foreign policy. These capabilities have delivered and are delivering results. The Department of State, in coordination with other departments and agencies as appropriate, will continue to leverage all of the tools and authorities that we have to impose costs in response to malign activities by our adversaries.

Mr. Billingslea did not submit a response in time for printing.

AML and other options to bring pressure

Question:

The U.S. sanctions regime has been cited as a contributing factor global bank de-risking: the practice of financial institutions limiting or ending their relationships with customers due to perceived risk of AML/CFT sanctions. This trend has well-documented, widespread effects on a variety of stakeholders, including 2/3 of U.S. nonprofit organizations (NPOs) that operate internationally. Many NPOs cannot fund vital programs overseas that alleviate human suffering and build resilience against terrorism. What changes could be made to address banks' fear that regulatory agencies will take a zero-tolerance approach to enforcement, rather than encouraging them to manage risk and keep customers within transparent, regulated financial channels?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

Given the efficacy of the Section 311 actions against ABLV in Latvia and FBME in Cyprus—both of which spurred AML reforms in those countries—why doesn't Treasury use the Section 311 authority more often? It typically targets only 1 or 2 institutions a year under Section 311, in stark contrast to OFAC targeting. What can be done to streamline or improve the process?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

The United States has taken an aggressive enforcement posture with regard to enforcement of our AML regime, but major, well-known gaps in oversight remain. Secretary Mnuchin has called for Congress to pass beneficial ownership legislation. Treasury, on the other hand, has not yet implemented two rules that Congress called for it to promulgate years ago: the Investment Adviser Rule to impose AML requirements on hedge funds, private equity firms, and venture capital firms (which Congress called for in Section 352 of the PATRIOT Act in 2001) and the Cross-Border Rule to collect international dollar payment records centrally (which Congress called for in the Intelligence Reform Act of 2004)? Do you view these two action items as a priority, and what is the plan to put them in place?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Humanitarian Assistance

Question:

Although the International Emergency Economic Powers Act has an exemption for some humanitarian assistance, such as food, shelter and other life-saving necessities, it has become

routine for Executive Orders imposing sanctions to cancel this exemption based on unspecified national security concerns. What steps can the State and Treasury Departments take to develop a more targeted approach that would facilitate delivery of humanitarian assistance, address concrete security concerns in specific contexts, and as a result, save lives?

Answer:

The Honorable Manisha Singh: The Department of State actively engages with the Department of the Treasury and other partners to ensure that our sanctions programs do not have unintended adverse humanitarian consequences. In addition, we take action to evaluate the risk of such consequences and, where necessary and appropriate, mitigate that risk through an array of tools, which could include public messaging, providing foreign policy guidance regarding licensing applications, and consideration of waivers or exemptions.

Mr. Billingslea did not submit a response in time for printing.

Question:

Syria General License 11A, which permits charities to provide humanitarian, development, democracy building and other assistance in Syria, has proved to be a workable model to balance the need for such programming, administrative burden for NGOs, and the intent of sanctions legislation. How can this standard be extended and applied in other conflict zones where the work of charities is badly needed?

Answer:

The Honorable Manisha Singh: It is imperative to factor humanitarian considerations into our sanctions programs. We seek to implement our sanctions in a manner that achieves their purpose with respect to the intended targets while minimizing undesired consequences on civilian populations. We have a strong interest in preserving the important work conducted by charities in conflict zones. We pursue this critical interest using a variety of approaches, including through engagement with charities and like organizations, and by undertaking rigorous humanitarian assessments prior to and during the implementation of sanctions.

Mr. Billingslea did not submit a response in time for printing.

Question:

In its 2016 evaluation of the United States, the Financial Action Task Force noted the tension between the "strict liability" standard for terrorist financing offenses, and a risk-based approach called for in the Bank Secrecy Act. Treasury has supported the risk-based approach in public statements, but its regulations and guidance for financial institutions has not been updated to reflect this. What steps are you taking to bring Treasury policies into line with the risk-based approach?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Iran

Question:

What are the indirect humanitarian consequences in Iraq as a result of US sanctions against Iran? Is there a linkage between increased humanitarian and development needs in areas with higher Iranian financial presence and influence, such as Basra, and increased US sanctions on Iran?

Answer:

The Honorable Manisha Singh: The re-imposition of sanctions on Iran has one primary goal: to place maximum economic pressure on the Iranian regime to encourage them to return to the negotiating table. Sanctions are not targeted at the people of Iran or Iraq. U.S. sanctions explicitly allow for a range of humanitarian-related transactions to continue, and the Department of State works diligently with our colleagues at the Department of the Treasury to ensure that our sanctions do not inadvertently harm everyday citizens.

Mr. Billingslea did not submit a response in time for printing.

Working with U.S. Allies – Iran

Question:

Recently, NBC News reported that U.S. diplomats in Europe were working with European companies who currently do business with Iran to find new suppliers. Can you provide additional details about this program?

Answer:

The Honorable Manisha Singh: The activities described in the NBC article are not part of a formal program. Some embassies in Europe have encouraged meetings with business contacts to learn more about the private sector's efforts to find alternatives to Iranian suppliers. In addition, embassies routinely work with companies from around the world to promote the U.S. as a market and investment destination.

Mr. Billingslea did not submit a response in time for printing.

Syria

Question:

With an increasing likelihood that the Assad regime will soon retake control over most if not all of Syria, what role can sanctions play in Syria to ensure accountability for the horrific

violence? How can sanctions help to deter other countries from investing in Syria while the regime continues to prevent the safe, voluntary and dignified return of refugees?

Answer:

The Honorable Manisha Singh: The sanctions announced on September 6 demonstrate that the United States is taking concrete and forceful action to cut off material support to the Assad regime and its supporters. We will continue to use all available mechanisms to isolate the Assad regime, which has systematically arrested, tortured, and murdered more than one hundred thousand Syrian civilians in response to their legitimate and nonviolent calls for their freedom, rights, and political reforms. The risk of U.S. sanctions in response to providing material support to the Assad regime, whether it be through investment or otherwise, is a strong deterrent. I will continue to support their use to advance our foreign policy objectives in Syria.

Mr. Billingslea did not submit a response in time for printing.

North Korea

Question:

Trade data shows that North Korea is still importing about $220 million per month in goods from China, but in recent months China has stopped publishing detailed data about these imports. What do we know about the composition of these imports?

Answer:

The Honorable Manisha Singh: China continues to export goods to North Korea. China has stated that it will fully implement all relevant UN Security Council resolutions, which remain critical to ensuring progress on the commitments Chairman Kim made at the Singapore summit. We continue to engage Chinese officials at all levels to maintain the pressure to achieve the final, fully verified denuclearization of North Korea. We will not hesitate, however, to pursue UN designations or impose domestic sanctions against entities or individuals that support North Korean illicit activities in contravention of UN or U.S. sanctions.

Mr. Billingslea did not submit a response in time for printing.

Question:

Given specific prohibitions on the transport of energy, vehicles and infrastructure investment in North Korea, what kind of permissions/waivers/exemptions will South Korea need to obtain from the United Nations and the United States to carry out President Moon's proposed road and rail projects without violating U.S. and U.N. sanctions? Will the U.S. grant these permissions unilaterally? Will the U.S. support the ROK request at the United Nations?

Answer:

The Honorable Manisha Singh: Regarding North Korea, our sustained economic pressure continues and was instrumental in bringing about the first meeting between a North Korean leader and a U.S. President. In order to support this diplomatic process, we continue to work with our allies and partners to maintain economic pressure. Any premature relief of economic pressure will diminish the opportunity for the peaceful denuclearization of the DPRK. 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.

Mr. Billingslea did not submit a response in time for printing.

Question:

(for Treasury): North Korea is known to have made use of crypto currencies as a technique for evading sanctions. How does the U.S. Treasury treat crypto currencies as it relates to enforcement of U.S. sanctions laws? What is the estimated dollar value of North Korean sanctions evasion using crypto currencies?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

(for Treasury): Please describe the licensing process that NGOs must go through to obtain a license to provide humanitarian assistance to North Korea. How many licenses have you issued this year? How many have you denied? What is the length of time required for issuing these licenses? What improvements can be made to increase the speed and transparency of this process?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

(for State): What is the process by which U.S. passport holders obtain permission to travel to North Korea to oversee the distribution of this assistance? How many such licenses have been granted by the State Department this year? How many denied? How long does this process take? What improvements can be made to increase the speed and transparency of this process? Is the State Department considering relaxing the travel restriction for U.S. passport holders to travel to North Korea?

Answer:

The Honorable Manisha Singh: Passports holders submit a request for a special validation to the Passport Office of Legal Affairs (CA/PPT/S/L), generally by email, providing the basis for their

request and supporting documentation. CA/PPT/S/L then provides its determination to the applicant by email and mail. The details of the process are published at: https://travel.state.gov/content/travel/en/passports/requirements/passport-for-travel-to-north-korea.html. In 2018, CA/ PPT/S/L granted 83 requests seeking to travel for compelling humanitarian considerations and denied 61 requests. Requests are generally processed within 30 days from receipt. Effective September 1, 2018, Secretary Pompeo extended the travel restriction until August 31, 2019.

Question:

Will the President submit any "nuclear deal" reached with North Korea to Congress for consideration?

Answer:

The Honorable Manisha Singh: The Administration is committed to engaging with Congress as we work towards achieving the final, fully verified denuclearization of North Korea.

Question:

A sticking point in negotiations appears to be Kim's displeasure with the U.S. not making more headway on a "peace deal" which Kim feels was promised. What does a "peace deal" mean to Kim Jung Un? What are the components of such a deal in the Administration's view (a declaration of the end of hostilities, peace treaty, etc.). Does the Administration support exploring a "peace deal" in any form now, or only if/when progress is being made on the denuclearization front?

Answer:

The Honorable Manisha Singh: The goal of the United States Administration is to achieve the final, fully-verified denuclearization of the DPRK, as committed to by Chairman Kim. In Singapore, President Trump and Chairman Kim committed to working toward complete denuclearization and to joining their efforts to build a lasting and stable peace regime on the Korean Peninsula. Efforts toward a lasting peace regime are dependent on progress toward complete denuclearization. Chairman Kim has, and the DPRK has recently, reconfirmed its commitment to denuclearization, to create a brighter future for North Korea.

The State Department remains confident that the promises made by President Trump and Chairman Kim will be fulfilled, and further communication will continue in order to implement commitments. Specifics of the definition of denuclearization are developing. Sanctions will remain in full effect until North Korea denuclearizes.

Venezuela

Question:

Has the Treasury Department considered expanding its approach to Venezuela by targeting corrupt officials in the region associated with the Venezuelan government, including Salvadoran Vice Foreign Minister Jose Luis Merino?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Global Magnitsky

Question:

As you know, there is strong bipartisan support for implementation of the Global Magnitsky Human Rights Accountability Act. There is also a great need to implement the law expeditiously to continue to hold accountable human rights abusers and corrupt officials around the world. From Guatemala and Honduras to Burma, so much more can be done on the Global Magnitsky sanctions front. How many individuals at the Treasury Department are dedicated to implementing the Global Magnitsky Act? What additional resources could Treasury use to implement it?

Answer:

Mr. Billingslea did not submit a response in time for printing.

CAATSA Implementation

Question:

CAATSA allows for a range of sanctions to be placed against Russia, and some of them are mandatory. We are concerned that the Administration has not implemented some of these sanctions without explaining why that is the case to Congress. Why is the Administration not implementing Sections 225, 226, 227, 228, 231, 232, 233, and 234?

Answer:

The Honorable Manisha Singh: We are committed to the comprehensive implementation of CAATSA. Together with the Department of the Treasury, the State Department is using the Russia sanctions authorities under CAATSA to impose costs on Russia for the totality of its malign behavior. Since January 2017, the U.S. government has sanctioned 232 individuals and entities for their involvement in Russian malign activities; more than 140 of these designations were done under sanctions authorities codified by CAATSA.

Most recently, on September 20, the Secretary of State, in consultation with the Secretary of the Treasury, imposed sanctions pursuant to section 231 of CAATSA on the Chinese entity Equipment Development Department (EDD) for engaging in significant transactions with Rosoboronexport, Russia's main arms export entity. The Secretary of State also imposed sanctions on EDD's

director, Li Shangfu. This is just the latest example of using CAATSA sections or authorities codified under CAATSA to address Russia's portfolio of troubling actions.

Mr. Billingslea did not submit a response in time for printing.

Way ahead on CBW Sanctions

Question:

The 1991 Act requires that further sanctions be placed on Russia should it not comply with the key tenets of the Act unless Russia takes several steps, including permitting inspectors from the UN or some other internationally recognized body into its chemical and biological weapons facilities. Since it is unlikely that Russia will permit on-site inspections to occur, is the Administration preparing to levy a second round of sanctions by early November, as the law requires?

Answer:

The Honorable Manisha Singh: We intend to meet the requirements of the Chemical and Biological Weapons Control and Warfare Elimination Act regarding the potential imposition of additional sanctions upon Russia in a timely manner.

Mr. Billingslea did not submit a response in time for printing.

Question:

Aside from the sanctions waivers already announced by the Administration on August 27th, is the Administration considering waiving any of the potential sanctions provided for in the law? I would encourage the Administration to be extremely judicious in any waivers it considers.

Answer:

The Honorable Manisha Singh: Any waivers to future sanctions under the Chemical and Biological Weapons Control and Warfare Elimination Act will be done in compliance with the law requiring a determination that such waivers are essential to the national security interests of the United States

Mr. Billingslea did not submit a response in time for printing.

Sanctions Impacts on Russia

Question:

The types of sanctions enacted against Russian entities generally fit in three categories: blocking sanctions against individuals and entities, sectoral or debt/equity sanctions, and oil industry focused sanctions. How would you assess the impact each of these types of sanctions are having

on their Russian targets? Have you seen any unanticipated effects from these sanctions, such as impacts on other companies that do business with sanctioned Russian entities?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

How do you assess the impact of sanctions on Russia's oil and gas sector? Are these sanctions placing serious long-term pressure on Russia or have rising oil prices sufficiently buoyed the Russian companies and alleviated some of the stress? What might happen if oil prices decline again?

Answer:

The Honorable Manisha Singh: Sanctions continue to discourage new U.S. and European investment into the Russian oil sector, especially for unconventional resources such as deep water, shale, and Arctic projects.

Recovering oil prices have increased Russia's government revenue. Russia's oil and gas revenues are largely dollarized. The depreciation of the Russian ruble against the dollar has sustained the purchasing power of Russian oil companies.

Approximately 30 percent of Russia's budget revenue is derived from oil sales. Sustained lower oil prices will strain the Russian government's revenue and the economy overall.

Mr. Billingslea did not submit a response in time for printing.

Sanctions Strategy & Implementation – Russia

Question:

Despite continued sanctions on Russia, we have not seen a change in Putin's aggressive and nefarious behavior. While well-crafted sanctions aimed at behavior change could help continue to pressure Putin to change course, sanctions are not a strategy in and of themselves. Yet the administration does not have a coherent strategy toward Russia. How will you ensure that sanctions are combined with other tools across the administration aimed at pressuring Putin, and that they are not undercut by other administration actions?

Answer:

The Honorable Manisha Singh: The United States utilizes a whole-of-government approach that combines diplomatic, foreign assistance, intelligence, and law enforcement lines of effort to deter and defend against Russian malign activities. We will continue to communicate to the Russian government when its behavior is unacceptable, work with our interagency partners to impose costs

in response to such behavior, and build international coalitions to actively deter malign Russian activities. Examples of current efforts include expulsions of Russian intelligence operatives from the United States, sanctioning 232 individuals and entities for their involvement in Russian malign activity since January 2017, increasing funding for initiatives designed to bolster our European Allies, working with NATO Allies to increase spending and strengthen NATO deterrence posture, investing in projects like the Global Engagement Center (GEC) in an effort to counter Russian disinformation, and many more.

Mr. Billingslea did not submit a response in time for printing.

Question:

Many experts believe sanctioning wealthy and influential businesspeople close to Putin, along the lines of administration's April designations tranche, is one of the most effective way of applying political pressure on the Kremlin and affecting Putin's behavior. Does the U.S. government have the resources, capabilities, and authorities necessary to pursue a continued strategy along those lines? Does the administration plan additional such designations?

Answer:

The Honorable Manisha Singh: On April 6, 2018, the United States designated seven Russian oligarchs, companies they own or control, 17 senior Russian officials, and a Russian state-owned weapons trading company and its bank for their role in supporting malign Russian activity. The message to Russian oligarchs was clear: they are on notice, and if they continue to support election interference, aggression in Eastern Ukraine and Crimea, human rights abuses, support for the Assad regime, or other malign activity, they will suffer consequences. Their support for Russian malign activity will entail costs.

We have robust sanctions authorities at our disposal which we are using in close coordination with our allies and partners to impose costs on Russia for the entirety of its malign behavior. Sanctions are a powerful foreign policy tool and are most impactful when used in coordination with allies and partners.

Mr. Billingslea did not submit a response in time for printing.

Sanction Effectiveness & Potential Russian Loophole?

Question:

We have seen some Russian firms and banks nationalized or otherwise bailed out by the Russian government. Other Russian energy firms have considered and entered into foreign partnerships, such as with Chinese and Saudi companies. Gazprom in particular received a $2 billion loan from the Bank of China. What is the frequency and scope of these sorts of activities and the impact they have on the effectiveness of our sanctions regime? How have you used CAATSA's Section 228 (authorization of secondary sanctions) against third parties to address this matter? If not, why not?

Answer:

The Honorable Manisha Singh: We have targeted some of Putin's closest associates, along with the heads of major state-owned banks and energy firms. In targeting these 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 pay attention to secondary sanctions risk and 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 continue to increase until it stops its aggression.

Mr. Billingslea did not submit a response in time for printing.

Working with U.S. Allies – Russia

Question:

President Trump has created a transatlantic rift with our European allies over matters such as the role of, and obligations to, NATO, trade tariffs, withdrawal from the Paris climate accord, withdrawal from the Iran nuclear deal, the approach to immigration policy, and other issues. We know that it's tough to get your friends to work collaboratively with you when they are continuously insulted.

Answer:

The Honorable Manisha Singh: Sanctions are a powerful foreign policy tool and are most impactful when used in coordination with allies and partners. Transatlantic unity is the cornerstone of our sanctions against Russia. Providing the State Department with flexibility in implementation allows us to engage with allies, maintain unity, and maximize sanctions pressure on Russia. It is important that the U.S. government have tools available to quickly mitigate unintended consequences of sanctions to maintain stability in global markets as well as transatlantic unity.

Mr. Billingslea did not submit a response in time for printing.

Question:

In the face of these affronts to our allies, how does the Administration plan to maintain strong European support for sanctions against Russia? What steps have you taken to get our European allies on board with possible future Russia sanctions? What is your estimate of sanctions actions you can take that the EU would follow?

Answer:

The Honorable Manisha Singh: The State Department, in conjunction with interagency partners, conducts outreach with our European partners in order to coordinate joint action, garner support

for effective sanctions against Russia, and create an enforceable multilateral strategy to deter Russian aggression.

Mr. Billingslea did not submit a response in time for printing.

Status of Rusal Sanctions

Question:

What is the status of sanctions levied against Oleg Derepaska and his majority ownership of Russian aluminum producer, Rusal?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

(*for Treasury*): It is clear that the sanctions levied against Oleg Derepaska and Rusal were not properly vetted. Were these designations vetted beforehand with Treasury experts on commodity and energy markets?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

(*for Treasury*): Were the Derepaska and Rusal sanctions policy coordinated with the Administration's tariff policy as it pertains to aluminum? Does the President understand that his shortsighted decision to place tariffs on aluminum imports, coupled with the necessary sanctions on Derepaska, could raise aluminum prices?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Russian Sovereign Debt

Question:

Congress is considering sanctions legislation that would prohibit U.S. persons from dealing in the issuance of new Russian sovereign debt. Currently, Russia raises such debt for a number of reasons, one of which is to ease the impact of the current sanctions that the U.S. and other allies have placed on it. Prohibiting U.S. involvement in the issuance of new Russian sovereign debt would send a powerful signal that the US will not accept Russia's continued interference in U.S.

elections, undermining peace in Ukraine and other malign activities around the world. It would also serve as a key means of leverage that the U.S. can use in any future negotiations with Russia. Does that Administration have concerns over such legislation? Could you please explain them?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

Congress understands that the CAATSA-mandated Treasury report about sovereign debt sanctions was drafted solely by the habitually cautious economists in the international affairs division, who expressed concerns that outside experts think are over-stated. Apparently, back in January, the sanctions experts at Treasury were too focused on the kerfuffle over the other CAATSA-mandated report on oligarchs to pay much attention to the sovereign debt report. But the financial markets noticed and took it as a softening, so that reduced Russia's cost of borrowing. Will you commit to taking another look at that and this time balancing all relevant perspectives?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

The UK government reports that the Kremlin has used money raised from sovereign borrowings to support its sanctioned banks via loans through intermediary banks. Why have you given Russia this loophole to evade our sanctions?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Ukraine

Question:

Russia continues to support fighters in the Donbas region of Ukraine. At the same time the Administration's Special Representative for Ukraine Negotiations, Kurt Volker, has not met with his Russian counterpart, Vladislav Surkov, to negotiate a peaceful settlement since January 2018. It seems that little progress is being made in resolving this issue. Might additional sanctions against Russia be one way to encourage progress?

Answer:

The Honorable Manisha Singh: The United States remains committed to the success of a stable, prosperous, democratic, and free Ukraine. We support Ukraine as it defends itself against Russian

aggression and adopts transformational reforms to increase prosperity, security, and rule of law. Russian aggression is the greatest threat to European security, and U.S. sanctions on Russia for its aggression in Ukraine will remain in place until Russia fully implements the Minsk agreements and returns control of the Crimean peninsula to Ukraine. From the beginning of the crisis, the United States and its European partners have stood united in defense of Ukraine's sovereignty and territorial integrity. All our partners should be clear about our core principles and our respect for international law.

Sanctions are most impactful when used in coordination with allies and partners to maximize their effectiveness. We will continue to deploy sanctions that assist in achieving desired outcomes in Ukraine.

Mr. Billingslea did not submit a response in time for printing.

Cyber- Related Sanctions

Question:

We understand that the Administration has levied sanctions on 30 individuals and 18 entities for their roles in conducting cyber-enabled activities against the US, including attacks on the 2016 election. Given the fundamental role elections play in our democratic system of government and Russia's continued effort to undermine our democracy even now, it seems that more ought to be done. Is the Administration considering placing additional sanctions on Russian individuals and entities related to malicious cyber activities?

Answer:

The Honorable Manisha Singh: Russia is a full-scope cyber actor and represents a major threat to U.S. government, military, diplomatic, commercial, and critical infrastructure networks. The United States works to combat Russian and all other foreign government cyber threats through a whole-of-government approach that leverages the full range of U.S. government capabilities – diplomatic, economic, law enforcement, intelligence, and military.

We have taken actions against the Russian diplomatic presence in the United States in response to Russian interference in the 2016 elections, and have worked with the Treasury Department to impose significant sanctions against Russians who engage in destabilizing activity. We will continue to impose costs on Russia if its behavior does not change.

Mr. Billingslea did not submit a response in time for printing.

Russian Money Laundering

Question:

Assistant Secretary Billingslea, in your August testimony before the Senate Foreign Relations Committee, you highlighted the importance of bringing pressure to bear on jurisdictions like

Cyprus and Latvia that have served as hubs for the laundering Russian money. Please tell us more about those efforts, what other measures should we consider, and what should the role of the EU in curbing this activity be?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

The U.S. government has a range of AML measures and other non-sanctions options that it could use more aggressively to target the networks that facilitate transfers of Putin's dirty money, as a way of increasing pressure on Putin and cleaning up our systems. What steps is the Executive Branch taking to use such tools, and what are your priorities for such efforts?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

The February Section 311 action against ABLV bank in Latvia has helped spur a discussion in the European Union about better anti-money laundering oversight, including the possibility of creating a central EU AML supervisory body. Do you believe the EU is doing enough?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Russian Commodities

Question:

Swiss commodities trading firms, operating in a notoriously opaque industry, have played a role in the distribution of Russian natural resources in a variety of regions and countries. The case of Dmitri Firtash and Ukraine is a particularly famous example. Do you view this sector as a channel through which Russia can exert untoward influence on its customers through use of the energy weapon? What have you done to engage Switzerland on this matter? Are greater oversight and enforcement are necessary?

Answer:

The Honorable Manisha Singh: We consistently review methods through which President Putin and the Kremlin may seek to exert influence and are closely engaged with our European allies in finding a way forward to end Russia's destabilizing behavior.

Mr. Billingslea did not submit a response in time for printing.

Nord Stream 2 Pipeline Sanctions

Question:

Many of our allies in Europe have strong national security concerns with the Nord Stream 2 pipeline, which is planned to delivered gas from Russia to Germany. Where does the Administration stand regarding sanctioning the entities involved with developing the Nord Stream 2 pipeline? If the Administration were to not sanction some of the companies involved in Nord Stream 2, have you considered potential equitable arrangements that still might address US and allied national security concerns? If so, will you commit to briefing this Committee on such arrangements before any agreement is struck?

Answer:

The Honorable Manisha Singh: The United States shares widespread European concerns about projects that would undermine Europe's own energy diversification efforts and regional energy security, including Nord Stream 2.

The discretionary sanctions in CAATSA Section 232 are among several tools available to us in addressing Russia's malign actions. We intend to use these tools judiciously, in coordination with our allies and partners, and as stipulated by the law, to effectively advance our national security interests. We have been clear that companies working on Russian energy export pipelines are operating in an area that carries sanctions risk.

We welcome the efforts of our European partners to fully scrutinize all the merits of these projects. We are strongly supportive of the proposed European Council mandate that could apply the Third Energy Package to the entirety of Nord Stream 2, both onshore and offshore. We also support countries considering using national security legislation to deny Nord Stream 2 permission to transit their territory.

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Steve Chabot
Oversight of U.S. Sanctions Policy
September 13, 2018

Treasury Department Sanctions on Assad Government Suppliers:

Question:

According to the Wall Street Journal, Samer Foz is "the Assad regime's most important conduit for business deals." As you know, on September 6, the U.S. Treasury Department announced sanctions against individuals and entities who have been assisting the Assad government. At the announcement of the sanctions, Secretary Steven Mnuchin stated: "The United States will continue to target those who facilitate transactions with the murderous Assad regime and support ISIS." Why was Mr. Foz not included among those sanctioned? And will he will be included in future rounds of sanctions?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Brad Sherman
Oversight of U.S. Sanctions Policy
September 13, 2018

Question:

In April of this year, I sent a letter with Rep. Ros-Lehtinen, joined by eight additional colleagues, to President Trump regarding Section 106 of CISADA (the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010). In the wake of the 2009 protests in Iran, I secured an amendment to CISADA, Section 106, which prohibits federal procurement from companies that export sensitive technologies to Iran, including those used to restrict the free flow of information or limit free speech. However, to date, I am aware of no instance where these sanctions have been enforced, despite reports of multiple Chinese telecommunications companies engaging in sensitive transactions with Iran.

Will you commit to ensuring Section 106 of CISADA is fully enforced and that those companies that enable censorship in Iran are held accountable?

Answer:

The Honorable Manisha Singh: Yes. The Department of State works closely with the Department of the Treasury and other relevant departments and agencies to implement the full scope of available sanctions authorities. For example, on January 12, 2018, the Department of the Treasury's Office of Foreign Assets Control (OFAC) designated Iran's Supreme Council for Cyberspace and Iran's National Cyberspace Center under Executive Order 13628 for censorship-related activities. The Department of State continually assesses the appropriateness of sanctions designations, and utilizes all available authorities to target individuals and entities violating U.S. sanctions policies.

Mr. Billingslea did not submit a response in time for printing.

Question:

No institution should be considered "too big to sanction," particularly on a subject as critical as responding to North Korea's nuclear and ballistic missile programs. Although small banks (like the Bank of Dandong) have been sanctioned for their facilitation of North Korean money laundering, larger Chinese institutions (like the Agricultural Bank of China and China Construction Bank) have been spared - even though there is credible evidence many of these banks have in fact served as financial lifelines for North Korea.

As Ranking Member of the Asia Subcommittee, along with my colleague Chairman Yoho, we have sent two letters to Secretary Mnuchin urging the Treasury Department to reconsider this approach and increase the pressure on Kim Jong-un by sanctioning large Chinese banks that help him access the global financial system.

Why have large Chinese banks not been sanctioned for violating our sanctions against North Korea? Should any institution be considered "too big to sanction?"

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

As Ranking Member of the Asia Subcommittee, I am following China's actions against its Uyghur population very closely. By some accounts, nearly one million Uyghurs have been detained as part of a so-called political re-education campaign. The Magnitsky Act allows the US to sanction senior officials who enable human rights abuses – and my colleagues and I, both in the House and Senate, recently sent a letter urging that the imposition of Magnitsky sanctions against certain Xinjiang officials be considered.

What efforts are your Departments considering to deter China's actions against its Uyghur population? Will you commit to analyzing the appropriateness of Magnitsky sanctions?

Answer:

The Honorable Manisha Singh: We share your deep concerns about the crackdown and mass detention of Uighurs, Kazakhs, and other members of Muslim minority groups in China. In addition to our ongoing public and private advocacy, the Department of State is considering a number of tools to promote accountability of Chinese officials for human rights abuses and to prevent China's use of U.S. goods and services to perpetrate its egregious activities in Xinjiang. The Department of State is looking into your requests to consider sanctions against Xinjiang officials under Executive Order 13818 which builds on and implements the Global Magnitsky Human Rights and Accountability Act. We are also considering your requests to pursue export controls on items that can be misused by Chinese security officials in Xinjiang, and controls on Chinese entities that act in a manner inconsistent with U.S. foreign policy. We look forward to continuing to work with Congress on this important issue.

Mr. Billingslea did not submit a response in time for printing.

Question:

As Ranking Member of the Asia Subcommittee, I am deeply concerned about the situation in Rakhine. Over a million Rohingya are now refugees in Bangladesh, and the United States has done far too little to address the ongoing atrocities. Although I'm pleased certain high-level military officials were recently sanctioned, this must be a first step of a much larger campaign.

What next steps will we be taking to hold Burma's military leaders accountable for their actions in Rohingya?

[*for Mr. Billingshea*]. You are nominated to serve as the next Undersecretary of State for Civilian, Security, Democracy, and Human Rights, where you would oversee State Department human rights efforts. Will you commit to labeling the Rohingya crisis a genocide?

Answer:

The Honorable Manisha Singh: U.S. efforts remain focused on steps that will improve the situation for Rohingya refugees and internally displaced persons, as well as achieve accountability for those responsible for atrocities in Burma. We also continue to support multiple efforts at the UN to foster accountability, including the UN Fact Finding Mission, the UN Special Envoy for Burma, and the UN Special Rapporteur on the Human Rights Situation in Burma. In parallel, on August 17, the United States government sanctioned four Burmese commanders and two military units for their involvement in ethnic cleansing in Rakhine State and other human rights abuses in Kachin and Shan States. These sanctions were in addition to the previous sanctioning of the Burmese Army's Western commander, Maung Maung Soe, for his involvement in ethnic cleansing against Rohingya. The Department, in coordination with other agencies and departments, continues to explore a broad range of options to help ensure justice for victims and to ensure that those responsible for atrocities and other human rights violations and abuses will face appropriate consequences.

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Michael McCaul
Oversight of U.S. Sanctions Policy
September 13, 2018

Question:

North Korea's authoritarian dictatorship is financed, in part, by the Agricultural Bank of China and the China Construction Bank. I understand that considerations are being made regarding adverse outcomes on the global financial system in the calculus of whether or not to place sanctions on these banks. However, if we cannot stop the Kim regime from accessing global institutions of finance, can we ever truly be exerting a "maximum pressure" sanctions campaign against North Korea?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Question:

China is acting increasingly belligerent towards the United States and liberal global order. The United States could place a litany of sanctions on China for actions including, but not limited to: hacking OPM databases, the IP theft and technology transfer they conduct against U.S. firms, their militarization of the South China Sea, their aid to North Korea to evade U.S. sanctions, and the human right abuses they conduct on their own citizens – particularly with respect to religious freedom – within their own borders.

However, President Trump is engaged in trade negotiations with China in addition to seeking more cooperation with North Korea denuclearization. How do sanctions (or lack thereof) fit in to the Administration's larger strategy in dealing with an adversarial China. What role and effect could a sanctions regime play in helping the Administration achieve its goals with respect to China?

The Honorable Manisha Singh's Answer:

This Administration wants a constructive, results-oriented relationship with China. We will address, directly and frankly, areas where we have differences, so that we can narrow them. Sanctions are one of many tools we have, and we will use them when they can help advance our national interest, and when required by U.S. legislation. On North Korea, we continue to work with China and expect them to implement all UNSCR sanctions. However, we will not hesitate to pursue UN designations or impose domestic sanctions against entities or individuals worldwide supporting North Korea's illicit activities that are prohibited by UN resolutions.

Mr. Billingslea did not submit a response in time for printing.

Question:

Last year, Congress passed a historic sanctions package against Russia, Russian individuals, and Russian-based companies. I was an ardent supporter of this bill, as we needed to deter continued Russian aggression against the U.S. and our allies. However, I am also mindful that the continued use of sanctions as a tool of deterrence must ensure we avoid unintended consequences.

As you know, American businesses are increasingly involved in complex supply chains that put them in business relationships where foreign sanctioned companies may also be operating, thus putting American companies at risk. Has there been an assessment of the impact blanket sanctions on specific foreign companies – such as Russian oil company Rosneft – have on American companies? For example, do sanctions regimes consider the complex relationships and supply chains that are necessary for American companies to operate projects in foreign countries?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Paul Cook
Oversight of U.S. Sanctions Policy
September 13, 2018

Targeted Sanctions in Venezuela and Nicaragua

Question:

The U.S. has sanctioned 70 Venezuelan officials including President Maduro for human rights violations, corruption, and involvement in drug trafficking and restricted U.S. investments and financial transactions in Venezuela's digital currency. The U.S. has also sanctioned three of Nicaraguan President Ortega's closest associates.

- How do these sanctions fit into the broader strategy for addressing the crises in Venezuela and Nicaragua?
- How does the Administration evaluate the effectiveness of these particular sanctions?
- Given the crises in both countries, I'd like to see the U.S. use the sanctions tool more robustly and communicate the rationale for targeting specific individuals more clearly – for the audiences in Venezuela and Nicaragua. How are State and Treasury approaching this issue moving forward?

Answer:

The Honorable Manisha Singh: We are working with countries throughout the Hemisphere as well as with the European Union to bring about a restoration of democracy in Venezuela. We are using sanctions to address the Maduro regime's undermining of democratic institutions, abuses of human rights, and rampant endemic corruption. Our sanctions are ensuring that Maduro, his regime, and his associates cannot utilize the U.S. financial system to support their unjust rule.

The United States has an interest in a democratic and prosperous Nicaragua. The designation actions taken in July show that we stand with the people of Nicaragua as they call for basic democratic freedoms in the face of violent repression at the hands of the Ortega government. We will continue to work with regional and global partners to promote accountability for those who have demonstrated a blatant disregard for human rights and fomented violence in support of the Ortega government.

Mr. Billingslea did not submit a response in time for printing.

Combatting Transnational Criminal Threats

Question:

The U.S. has used Executive Orders, the Kingpin Act, and other Treasury designations to address threats from transnational criminal organizations in the Western Hemisphere, including drug cartels in Mexico, MS-13 in Central America, rebel groups like the FARC and ELN in Colombia, and criminal groups linked to Hezbollah in South America. However, many of these groups continue to operate with impunity throughout the region and contribute to violence and insecurity in the countries where they operate and drive illegal migration from the region.

- How does corruption in these countries affect the ability of the U.S. to enforce these sanctions and designations?
- How is the Administration working with our partners in the region to establish sanctions and designations of their own to increase the effectiveness of U.S. sanctions?

Answer:

The Honorable Manisha Singh: Sanctions continue to be an effective way to safeguard U.S. national interests as they deny corrupt foreign individuals and entities access to significant financial assets held abroad and restrict their ability to travel to the United States with the loss of visa privileges for themselves and, in some instances, family members. These sanctions deter criminal conduct and curtail the ability of criminals to continue to operate.

The impact of corruption in the host country of an individual or entity subject to sanctions or designations varies depending on an array of factors, including the country, individual or entity, type of sanction or designation, and case specific circumstances. We routinely ask foreign governments to complement our sanctions by taking action against these targets themselves, and many foreign entities comply with U.S. sanctions.

We refer you to the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) for specific questions regarding sanction programs administered by OFAC and subject to OFAC authorities granted by Congress.

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Adam Kinzinger
Oversight of U.S. Sanctions Policy
September 13, 2018

Syria Sanctions

Question:

This question is for Mr. Billingslea regarding Treasury's recent sanctions of individuals aiding the Assad regime. Beyond the horrors we have seen play out because of Assad's use of chemical weapons and indiscriminate bombings of civilians, his corrupt regime is profiteering off the pain and suffering of his people. While I am glad to see that the Treasury Department imposed sanctions on those responsible for the sale of oil products in Syria, I believe that more must be done to cut-off Assad's financial support.

One name that keeps coming up in conversation regarding Assad's financial supporters is Samer Foz. Samer Foz is the Chairman of Foz Holdings and who openly talks about his partnership with Assad. Through this partnership, he has become the regime's most important middleman, while lining his pockets with what amounts to blood money.

Why was Samer Foz, a known associate and financier of Assad's crimes, not on the list announced last week by the Treasury Department of sanctioned individuals and businesses?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Russia Sanctions Nord Stream II

Question:

This question is for Mr. Billingslea regarding Section 232 of the Countering America's Adversaries Through Sanctions Act, and a recent State Department interpretation of this section.

Last year, we passed the Countering America's Adversaries Through Sanctions Act with overwhelming bipartisan support, which was signed into law by the President on August 2nd, 2017. Section 232 of this important legislation provided the administration with the tools to sanction a person that "knowingly makes an investment in or provides to the Russian Federation, for the construction of Russian energy export pipelines, goods, services, technology, information, or support."

However, on October 31, 2017, the State Department issued its formal interpretation of the law which states any pipeline project that was initiated prior to August 2, 2017 would not be subject to Section 232 sanctions. This document has been exploited to generate the false impression that the United States cannot and will not impose sanctions against Russia's Nord Stream II pipeline

Does Treasury agree with State's interpretation? Does Treasury believe that the Nord Stream II pipeline could be sanctioned under Section 232 of CAATSA?

Answer:

Mr. Billingslea did not submit a response in time for printing.

Questions for the Record from Representative Jim Sensenbrenner
Oversight of U.S. Sanctions Policy
September 13, 2018

"Despite the fact that the United States has pulled out of the Joint Comprehensive Plan of Action (JCPOA), there are concerns that China, Russia, the United Kingdom, and the rest of the European Union will continue to work with Iran to implement the agreement despite Iran's continued hostility against Western nations as well as its military involvement in Syria."

Question:

What steps has the Administration taken during its current trade negotiations with the EU, U.K., and China to either reconsider their full support of the agreement or begin implementing sanctions against Iran? If the Administration has not made the JCPOA a part of these negotiations, why not?

Answer:

The Honorable Manisha Singh: At the President's direction, the United States ceased participation in the Joint Comprehensive Plan of Action (JCPOA) because it did not advance our national security objectives. The President has been clear in his assertion that the JCPOA was a fundamentally flawed deal that was not in the U.S. national interest. We have embarked upon a new strategy that will address the totality of the Iranian regime's malign behavior. The Administration is taking a comprehensive approach to these threats. We have consulted closely with our allies and partners throughout this process, and we continue to do so. Alongside our allies and partners, we share a common assessment that the Iranian regime poses a threat to our collective security that we must address together.

Mr. Billingslea did not submit a response in time for printing.

Question:

Is the United States willing to levy additional sanctions on the Russian Federation in order force President Putin to reconsider his support for the Iranian regime and the JCPOA? Is the Administration willing to implement additional tariffs and duties on Russia in order prevent Russia from usurping U.S. sanctions on Iran?

Answer:

The Honorable Manisha Singh: While we cannot comment on potential future sanctions actions, we are dedicated to utilizing a whole-of-government approach, leveraging all tools at our disposal – including diplomatic, economic, foreign assistance, intelligence, and law enforcement – to address Russia's malign activities, including its support for the Iranian regime. If Russia continues its malign activities, we will continue to impose costs, using tools such as CAATSA.

Mr. Billingslea did not submit a response in time for printing.

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