

**MAKING SANCTIONS EFFECTIVE: THE CASE OF
NORTH KOREA**

HEARING
BEFORE THE
SUBCOMMITTEE ON ASIA, THE PACIFIC AND
NONPROLIFERATION
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

—————
MARCH 27, 2019
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Serial No. 116-21

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Printed for the use of the Committee on Foreign Affairs



Available: <http://www.foreignaffairs.house.gov/>, <http://docs.house.gov/>,
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35-787PDF

WASHINGTON : 2019

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CONTENTS

	Page
WITNESSES	
Griffiths, Hugh, Coordinator of the United Nations Panel of Experts on North Korea	9
INFORMATION SUBMITTED FOR THE RECORD	
Information submitted for the record from Representative Yoho	22
Information submitted for the record from Representative Sherman	43
Information submitted for the record from Representative Sherman	45
APPENDIX	
Hearing Notice	55
Hearing Minutes	56
Hearin Attendance	57

**MAKING SANCTIONS EFFECTIVE: THE CASE
OF NORTH KOREA**

Wednesday, March 27, 2019

**House of Representatives,
Subcommittee on Asia, the Pacific and
Nonproliferation,
Committee on Foreign Affairs,**

Washington, DC

The subcommittee met, pursuant to notice, at 9:38 a.m., in Room 2172, Rayburn House Office Building, Hon. Brad Sherman (chairman of the subcommittee) presiding.

Mr. SHERMAN [presiding]. Thank you all for coming today.

We have a distinguished witness. Hugh Griffiths is the outgoing Coordinator of the U.N. Panel of Experts on North Korea, which just released its biennial report on the impact of sanctions against North Korea.

Before discussing the U.N. report, we ought to review where we stand with North Korea. The Trump administration expressed optimism going into the Hanoi summit, but Kim Jong-un demanded the lifting of the all-important U.N. Security Council economic sanctions. In return, he did not offer complete, verifiable denuclearization. He did not even offer a termination of the creation of new fissile material and new nuclear bombs. He offered only to dismantle the facilities at Yongbyon. North Korea has other known, and perhaps unknown, facilities to create fissile material, not to mention facilities where warheads are constructed and missiles are developed.

After hearing this proposal, President Trump rejected it, and for perhaps the first time in my career, I made the statement, "Donald Trump is right." Where President Trump and I, where we apparently disagree is where we go from here. I believe that North Korea has conclusively demonstrated that it is not under enough pressure to agree to a deal acceptable to the United States.

Now just about everyone in and around government in the United States say that we should be demanding complete, verifiable, irreversible denuclearization. That would leave North Korea with no nuclear weapons of any sort, and that is a regime that is paranoid, and given some discussions in Washington from time to time, perhaps justifiably paranoid.

I think that we should be willing to accept a highly intrusive verification system that would assure us that North Korea was not making any more weapons, had a limited number of weapons, and was not selling any fissile material. But whether your objective is a highly monitored and very limited nuclear North Korea or wheth-

er it is complete denuclearization, neither was available to us in Hanoi.

I need think that, if you want a better outcome, you need better sanctions. The Trump administration announced some additional sanctions. Then, we learned the President had withdrawn them. Now it appears that the President has withdrawn his withdrawal. There was discussion that his withdrawal was not of the new sanctions, but of additional sanctions that had not been announced. I do not know if our distinguished witness can shed some light on this. But the fact is that even the new sanctions, if allowed to go in effect, will not be significant enough to get Chairman Kim to change his bargaining position.

I am hopeful our witness today can help us understand what more intense sanctions against North Korea would look like, and it may be the case that new sanctions are needed. It may be the case that we need more effective implementation of existing sanctions.

The latest report of the U.N. Panel of Experts on North Korea has said that existing U.N. Security Council sanctions against the Kim regime are ineffective. The report specifically singled out the financial sanctions, writing, "Financial sanctions remain some of the most poorly implemented and actively evaded measures of the sanctions regime." It is noted that North Korea continues to have access to international financial system through five countries, the most notably of those, of course, is China. We know about 90 percent of North Korea's trade is with China. So, getting Beijing to implement sanctions against Kim Jong-un remains key to our efforts.

Now focusing on both financial sanctions and China, the Trump administration did impose sanctions on one small Chinese bank in July 2017. If it was not already clear, the latest report confirms that sanctioning this small bank did not deter China from continuing to serve as North Korea's financial lifeline.

Both in 2017 and again in 2018, then-Chairman Yoho and then-Ranking Member Sherman wrote the administration demanding that it impose sanctions on one of the four large Chinese banks that continue to do business with North Korea. And I think that events have shown that this action is increasingly needed.

So, with that, I will turn it over to our ranking member, Mr. Yoho.

Mr. YOHO. Thank you, Mr. Chairman, and I appreciate your words.

Mr. Griffiths, thank you for being here to educate us on this process and on the summary of the report.

I would like to welcome Mr. Hugh Griffiths, Coordinator for the United Nations Panel of Experts on North Korea. Mr. Griffiths has had firsthand experience monitoring the implementation of the North Korean sanctions resolutions passed by the United Nations Security Council, 15 members. As a body that plays a leading role in crafting the U.S. sanctions regime, his insight is invaluable to this committee.

The United Nations has imposed 10 sanctions resolutions that require its member States to restrict trade and engagement with North Korea in response to North Korea's relentless development of nuclear weapons and ballistic missiles. However, the Panel of

Experts' last report, released this month, shows that North Korea continues to defy these sanctions. Possibly the most egregious violation revealed in the report is the massive increase in ship-to-ship transfer of petroleum and coal. This type of industrial-scale activity can significantly undercut international sanctions programs, as was reported out by the report.

But the report also reaffirms that North Korea is up to its old tricks as well. North Korea sanctions evasions are made possible through weak enforcement by individual States and insufficient oversight measures. But there is also the usual rogue galleries of pariah States that blatantly ignore U.N. sanctions. They are glad to pursue to trade and defense relations with North Korea.

As the United States continues to navigate our diplomacy with North Korea and address the growing threat North Korea poses globally, it is imperative that the multilateral sanctions program overseen by the Panel of Experts remains strong. You know, look, this problem has been going on since the end of the Korean conflict. This is something that we have seen an escalation of the development of nuclear weapons. And as you can tell here, the size of this room, the importance of this discussion. How long are we going to let this go on?

And I said that the U.N. Security Council voted unanimously—there were 15 members in that beyond the five permanent members—they voted unanimously to put sanctions on North Korea. And I see things pretty black and white. If we vote to do that, well, by God, we ought to follow through and make sure everybody on the Security Council that voted this way adheres to that.

So, I am especially interested today to hear an update on the status of the U.N. sanction enforcement, how we can improve implementation, and where the international community may be falling short, especially regarding longstanding sanction violators, including China and Russia, who have long provided life support to North Korea's WMD programs and their weapons programs, or I mean their chemical weapons in addition to nuclear.

Ninety to 94 percent of the trade with North Korea goes through China. China has a significant role to play in this. And if they voted to uphold these sanctions, and yet, they are one of the biggest cheaters, it raises the question, why bother having U.N. Security Council resolutions? Or why bother having members that are on a permanent committee for the United Nations Security Council vote to put in sanctions, and then, they pull away and they do not enforce these sanctions? So, I guess the question is, why do we bother even doing this if we are not going to adhere to it?

But, since we are here, what do we do with these nation States that vote to put sanctions on, and then, they break their commitment? Should we censor them, so that they cannot vote for a period of time, maybe a year or 2 years? Or should we look at removing them permanently because their actions do not define the reason that they are on the Security Council in the first place?

And I look forward to your testimony and the questions that follow.

Thank you.

Mr. SHERMAN. It is our usual practice to welcome opening statements from other members of the subcommittee of 1 minute, but

Mr. Connolly has asked for a longer period of time. I yield 3 minutes to the gentleman from Virginia.

Mr. CONNOLLY. I thank the distinguished chairman and I thank the ranking member for holding this important hearing today.

I serve as the chairman of the Korea Caucus and also head of the congressional delegation to the NATO Parliamentary Assembly.

Following the Hanoi summit between President Trump and Mr. Kim, we are not even close to the goal of a denuclearized North Korea. On the contrary, the DPRK reportedly continues to produce fissile material for weapons and to work on more advanced long-range missiles. According to the 2019 Worldwide Threat Assessment, the U.S. intelligence community finds that North Korea will seek to retain its weapons of mass destruction capability and is unlikely to completely give up its nuclear weapons and production capability. The latest POE report stated that North Korea's nuclear missile programs remain intact and found that North Korea has been using civilian facilities and infrastructure to assembly and test missiles.

In November of last year, I presented a white paper to the NATO Parliamentary Assembly on North Korea's challenge to international security and the implications for NATO itself. My report noted the extensive sanctions evasion carried out by North Korea and documented by the POE. It also made several recommendations regarding actions NATO and NATO member States could take to combat sanctions evasion, including the adoption of comprehensive restrictions on maritime insurance for DPRK vessels and vessels engaged in trade with the DPRK. I think maritime insurance is something that has been overlooked and could be a very potent tool in enforcing the sanctions Mr. Yoho just talked about.

The world must remain clear-eyed about the DPRK's record of violating previous nuclear agreements and stand ready to continue the campaign to isolate Pyongyang in the absence of verifiable progress toward denuclearization and the ceasing of other destabilizing behavior. The United States should lead the international community through the enforcement and expansion of the DPRK sanctions regime, as well as increased maritime interdiction efforts to counter the regime's sanctions evasion efforts.

I look forward to hearing Mr. Griffiths' testimony this morning. I think this remains a front-burner issue, and as I said, I think we need to be very clear-eyed about the intentions of the North Korean regime.

Thank you, Mr. Chairman, for your consideration.

Mr. SHERMAN. Thank you.

Are there other members seeking to make an opening statement?

Let's hear from our witness, Mr. Griffiths.

**STATEMENT OF HUGH GRIFFITHS, COORDINATOR OF THE
UNITED NATIONS PANEL OF EXPERTS ON NORTH KOREA**

Mr. GRIFFITHS. Thank you very much, Mr. Chairman, Ranking Member, members of the committee. Thank you for the invitation to testify today.

I have been asked to present on the U.N. Panel of Experts 2019 final report that was published earlier this month. I believe that this document serves as a useful basis for any discussion entitled

“How to Make U.N. Sanctions More Effective: the Case of North Korea”.

Before this discussion, I would like to pay tribute to the hard-working and dedicated U.N. experts and U.N. Secretariat staff who work on the other panels, groups, and monitoring teams in New York, but also those working in or from Africa, Europe, and the Middle East. My colleagues deploy to, or are based in, difficult and dangerous parts of the world. These include Afghanistan; the Central African Republic; the Democratic Republic of the Congo, DRC; Mali; Somalia; South Sudan; the Sudan; Libya, and Yemen, as well as visits to neighboring member States.

The experts come from a variety of backgrounds, law enforcement, customs, humanitarian aid, former diplomats, former members of the armed forces, defense, and intelligence services. They also include field researchers, academics, journalists, and former U.N. staff. Their reports provide the gold standard for national and international policymakers working on complex conflicts that include a U.N. sanctions regime.

My colleagues investigate the groups, individuals, and sometimes member States that are responsible for violating the various Security Council resolutions. Their mandates include investigating arms embargo violations, monitoring and reporting on armed groups, transnational criminal organizations, various al-Qaeda or ISIL affiliates, the Taliban, as well as other individuals or entities that engage in the smuggling of arms and other conflict-sensitive commodities such as diamonds. My colleagues seek to identify those to be recommended for assets freezes and travel bans to the U.N. Security Council.

As such, the U.N. panels and groups of experts have been deliberately targeted by their adversaries in the past, and sometimes this goes beyond surveillance and threats. I, therefore, dedicate this testimony to the memory of Michael Sharp and Zaida Catalan of the U.N. group of experts monitoring the sanctions in the Democratic Republic of Congo who were murdered in the Kasai region in March 2017.

Michael was from the United States of America. Zaida was from Sweden and Chile. More than 2 years have passed, and no one has yet been convicted for these serious crimes. Their sacrifice is a reminder of the dangers my friends and colleagues face in the field, and we honor their memory.

Turning to the sanctions on North Korea, or the Democratic People's Republic of Korea, DPRK as it is known in U.N. documents, I should stress that these sanctions are amongst the most comprehensive, but also targeted measures applied as part of any U.N. sanctions regime. The situation now is very different to that of my last testimony before Congress in 2013. The U.N. sanctions regime has been transformed by the five U.N. Security Council resolutions adopted in response to the DPRK's three illegal nuclear tests in 2016 and 2017, as well as an unprecedented number of prohibited ballistic missile tests during the same period.

The U.N. sanctions regime underwent a fundamental step change beginning with Resolution 2270, 2016, adopted by the Security Council on 2d March 2016. This was in response to the DPRK's fourth nuclear test in January 2016 and a prohibited rocket launch

of February 2017 that used ballistic missile technology. Until the 2d of March, 2016, the U.N. sanctions regime on the DPRK had been a classic nonproliferation regime prohibiting the acquisition by the DPRK of nuclear and ballistic missile technology that would enable it to further develop its illegal nuclear and ballistic weapons program. There was also an arms embargo prohibiting the DPRK from exporting or importing conventional arms and related military equipment.

The fourth nuclear test in January and the rocket launch of February 2016 led the Security Council to widen the sanctions regime to include the inspection by member States of all cargo on their territory originating from, transiting, or destined for the DPRK. Key DPRK export commodities, such as coal, iron, and iron ore, were prohibited for the first time, unless these exports were determined to be solely for livelihood purposes and unrelated to generating foreign currency revenue for the DPRK's nuclear or ballistic missile programs or other activities prohibited by the resolutions. These commodities were mainly transported by ship, and Resolution 2270 contained other new and important maritime prohibitions, including a ban on approximately 13 North Korean ships that would preclude these vessels from entering any foreign port.

North Korea ignored the Security Council's decisions regarding its ballistic missile programs and continued tests of various types during the remainder of 2016, as well as a nuclear test in September of that year. In response to these prohibited activities, the Security Council adopted Resolution 2321 on the 30th of November. This included additional or expanded maritime and commodity sanctions, including a cap on coal exports and a ban on the export by the DPRK of copper, nickel, silver, and zinc, among other measures.

However, during the first half of 2017, the DPRK continued its illegal ballistic missile tests. The Security Council then adopted another resolution, 2356, that designated 14 North Korean individuals. But North Korea continued to disobey the Security Council by conducting its first successful test of an intercontinental ballistic missile on the 4th of July. In response, the Security Council adopted Resolution 2371 on 5th September which completely prohibited the export of coal, iron, iron ore, lead, and lead ore, and seafood. It expanded the financial sanctions on the DPRK and banned the chartering of North Korean ships by foreign companies.

North Korea had already disobeyed that resolution and its predecessors by exploding its largest nuclear device to date on 3d September. In response, the Security Council adopted Resolution 2375. This resolution introduced an annual cap on petroleum imported to the DPRK annually of 2 million barrels. It also set a cap on crude oil. A ban was placed on condensates, natural gas imports, and textile exports from the DPRK. Joint ventures and cooperative entities with DPRK nationals and entities were also prohibited. Maritime interdiction measures on DPRK-related vessels were introduced. Further, work authorizations for DPRK nationals on the territory of member States were also prohibited, with a number of limited exemptions.

On 15th September, the DPRK launched another ICBM, and on the 28th November, the DPRK launched yet another ICBM, its

largest to date, the Hwasong-15. In response to these launches, the Security Council adopted Resolution 2397. This resolution increased by fourfold the annual cap on petroleum products, reducing to 500,000 barrels per year that might be legally imported. In that resolution, the Security Council also decided that, should the DPRK conduct any further nuclear or ballistic missile tests, imports would be further reduced.

The resolution also explicitly acknowledged that, quote, “The proceeds of the DPRK’s trade in sectoral goods, including but not limited to coal, iron, iron ore, lead, lead ore, textiles, seafood, gold, silver, rare earth minerals, and other prohibited metals, as well as the revenue generated from DPRK workers overseas, among others, contribute to the DPRK’s nuclear weapons and ballistic missile programs.” Resolution 2397 expanded sectoral sanctions by introducing a ban on the DPRK’s export of food and agricultural products, machinery, electrical equipment, earth and stone, including magnesite, magnesite, wood, and vessels.

The resolution also prohibited the DPRK from selling or transferring fishing rights. The resolution also introduced the ban on some very important imports, including the supply, sale, or transfer to the DPRK of all industrial machinery, transportation vehicles, iron, steel, and other metals, with the exception of spare parts to maintain North Korean commercial/civilian aircraft. 2397 also strengthened the ban on providing work authorizations for DPRK nationals by requiring member States to repatriate all such nationals earning income abroad within their jurisdiction within 24 months from 22d December 2017.

The above is a summarized version of events. However, the pattern is clear. An illegal nuclear test or serious ballistic missile launch is met with a response from the Security Council in the form of additional sanctions.

I stress again, by Resolution 2397, adopted on 22d December 2017, the Security Council decided that further such illegal tests or launches would result in further caps on North Korea’s petroleum imports. Since 22d December 2017, there have been no further nuclear tests or serious ballistic missile launches.

Now turning to the issue of how North Korea is evading the current sanctions regime, I would like to focus on the executive summary of the panel’s final report which provides information on this subject. The nuclear and ballistic missiles programs of the Democratic People’s Republic of Korea remain intact, and the country continues to defy Security Council resolutions through a massive increase in illegal ship-to-ship transfers of petroleum products and coal. These violations render the latest U.N. security sanctions ineffective by flouting the caps on the import of petroleum products and crude oil by the DPRK, as well as the coal ban imposed in 2017 by the Security Council in response—

Mr. SHERMAN. Mr. Griffiths, how much longer is your opening statement? Our usual practice is 5 minutes as an opening statement. I am told that we arranged for your opening statement to be 10 minutes. About how much longer do you have?

Mr. GRIFFITHS. Well, sir, I am guessing another 6–7 minutes.

Mr. SHERMAN. There are many panels where the opening statements are that long. I wonder if you could summarize your re-

marks, and then, respond to questions. And, of course, your entire statement will be made part of the record. I realize you have come a way to make this presentation, but the traditions of the Foreign Affairs Committee are for 5-minute opening statements.

Mr. GRIFFITHS. Well, sir, since it is your venue, I will bow to your traditions. But I will just stress that the report is quite long and the subject is complex. So, I am happy to stop here and take your questions.

Mr. SHERMAN. If there is a way for you to give us the high points in another 2 minutes or so, that would be fine.

Mr. GRIFFITHS. Well, I tell you what. I will just conclude by—in conclusion, I should stress that the report also noted the DPRK's use of civilian infrastructure for ballistic missile assembly and testing. From previous panel reports, one may observe that the DPRK has made widespread use of ostensibly civilian, commercial, diplomatic, and trade entities and personnel for past ballistic missile and nuclear-related procurement from other member States. There are also many examples of the use of the DPRK's merchant freighter vessels, DPRK diplomats, trade representatives, and embassies, for arm sales, illegal financial transactions, and other activities prohibited under the resolutions.

I believe the Security Council imposed so many measures on North Korea through U.N. sanctions, at least 26 measures compared to the average of 3.5 for a U.N. sanctions regime, on the DPRK for the above reasons: for the use of civilian infrastructure, for the use of diplomats, for the use of embassies. These comprehensive and targeted measures, particularly beginning in March 2016, were in response to the DPRK's single-minded pursuit of its nuclear weapons and ballistic missile programs for which all the resources of the State, civilian, diplomatic, and military, were deployed as necessary.

I would like to conclude this written testimony by recognizing the hard work and dedication of my panel colleagues, past, present, and future. I would also like to thank U.N. Secretariat colleagues, without whom our investigations and reports would not have been possible.

My former and current panel members and U.N. staff colleagues have made our reporting something to be rightly proud of, and I would like to thank them for their service.

Thank you.

[The prepared statement of Mr. Griffiths follows:]

Written Statement

Hugh S.W Griffiths

Coordinator

United Nations Panel of Experts monitoring UN sanctions on North Korea

House Committee on Foreign Affairs

Sub-Committee on Asia, the Pacific and Nonproliferation

09.30, 27 April 2019

Mr. Chairman, Ranking Member and Members of the Committee,

Thank you for the invitation to testify today. I've been asked to present on the UN Panel of Experts 2019 Final Report that was published last month. I believe that this document serves as a useful basis for any discussion entitled "How to make UN sanctions more effective: the case of North Korea".

Before this discussion, I would like to pay tribute to the hard-working and dedicated UN experts and UN Secretariat staff who work on the other Panels, Groups and Monitoring Teams in New York, but also those working in or from Africa, Europe and the Middle East. These colleagues deploy to, or are based in, difficult and dangerous parts of the world. These include Afghanistan, the Central African Republic, the Democratic Republic of Congo (DRC), Mali, Somalia, South Sudan, the Sudan, Libya and Yemen, as well as visits to neighboring Member States. The experts come from a variety of backgrounds: law enforcement, customs, humanitarian aid, former diplomats, former members of the armed forces, defense and intelligence services. They also include field researchers, academics, journalists and former UN staff. Their reports provide the gold standard for national and international policy-makers working on complex conflicts that include a UN sanctions regime. My colleagues investigate the groups, individuals and sometimes Member States that are responsible for violating the various Security Council resolutions. Their mandates include investigating arms embargo violations, monitoring and reporting on armed groups, transnational criminal organizations, various Al-Qaeda or ISIL affiliates, the Taliban as well as other individuals or entities that engage in the smuggling of arms and other conflict-sensitive commodities, such as diamonds. They seek to identify those to be recommended for assets freezes and travel bans to the UN Security Council. As such the UN Panels and Groups of Experts have been deliberately targeted by their adversaries in the past, and sometimes this goes beyond surveillance and threats. I dedicate this testimony to the memory of Michael Sharp and Zaida Catalán of the UN Group of Experts monitoring the sanctions in the Democratic Republic of Congo who were murdered in the Kasai region in March 2017. Michael was from the United States of America. Zaida was from Sweden and

Chile. More than two years have passed and no-one has yet been convicted for these serious crimes.¹ Their sacrifice is a reminder of the dangers my friends and colleagues face in the field and we honor their memory.

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The UN sanctions regime has been transformed by the five UN Security Council resolutions adopted in response to the DPRK's three illegal nuclear tests in 2016 and 2017 as well as an unprecedented number of prohibited ballistic missile tests during the same period.

The UN sanctions regime underwent a fundamental step change beginning with resolution 2270 (2016) adopted by the Security Council on 2 March 2016. This was in response to the DPRK's fourth nuclear test in January 2016 and a prohibited rocket launch of February 2017 that used ballistic missile technology. Until the 2 March 2016, the UN sanctions regime on the DPRK had been a classic non-proliferation regime, prohibiting the acquisition by the DPRK of nuclear and ballistic missile technology that would enable it to further develop its illegal nuclear and ballistic weapons program. There was also an arms embargo, prohibiting the DPRK from exporting or importing conventional arms and related military equipment. The fourth nuclear test in January and the rocket launch of February led the Security Council to widen the sanctions regime to include the inspection by Member States of all cargo on their territory originating from, transiting or destined for the DPRK. Key DPRK export commodities such as coal, iron and iron ore³ were prohibited for the first time, unless these exports were determined to be solely for livelihood purposes and unrelated to generating foreign currency revenue for the DPRK's nuclear or ballistic missile programs or other activities prohibited by the resolutions. These commodities were mainly transported by ship and resolution 2270 (2016) contained other new and important maritime prohibitions, including a ban on approximately 30 North Korean ships that would preclude these vessels from entering any foreign port.⁴ North Korea ignored the Security Council's decisions regarding its ballistic missile programs and continued ballistic missile tests of various types during the remainder of 2016 as well as nuclear test in September of

¹ See "Congolese Cover Up", Colum Lynch, Foreign Policy, 19 December 2018 <https://foreignpolicy.com/2018/11/27/congolese-cover-up-un-congo-murder-zaida-catalan-michael-sharp/>

² See Committee on Foreign Affairs, House of Representatives, One Hundred and Thirteenth Congress, First Session, September 26th, 2013, Serial No. 113-79, Hugh S W Griffiths, Stockholm International Peace Research Institute (SIPRI), the case of the *Chong Chon Gang*, <https://www.govinfo.gov/content/pkg/CHRG-113hhrg82946/pdf/CHRG-113hhrg82946.pdf>

³ Such commodity export and import restrictions and bans are sometimes referred to as "sectoral sanctions".

⁴ The Security Council determined these vessels were economic resources of the DPRK shipping company Ocean Maritime Management (OMM). The UN Panel of Experts determined that the *Chong Chon Gang* was controlled by OMM at the time of the 2013 arms interdiction by Panama. Following a recommendation by the Panel in 2014, the Security Council 1718 Committee designated Ocean Maritime Management in July 2014. See: <https://www.un.org/press/en/2014/sc11499.doc.htm>

that year. In response to these prohibited activities the Security Council adopted resolution 2321 (2016) on 30 November. This included additional or expanded maritime and commodity sanctions, including a cap on coal exports and a ban on the export by the DPRK of copper, nickel, silver and zinc, among other measures. However, during the first half of 2017 the DPRK continued its illegal ballistic missile tests. The Security Council adopted another resolution, 2356 (2017) on 2 June that designated 14 North Korean individuals and four entities for assets freezes and travel bans. But North Korea continued to disobey the Security Council by conducting its first successful test of an intercontinental ballistic missile (ICBM) on 4 July. In response the Security Council adopted resolution 2371 (2017) on 5 September which completely prohibited the export of coal, iron, iron ore, lead and lead ore and seafood. It expanded the financial sanctions on the DPRK and banned the chartering of North Korean ships by foreign companies. North Korea had already disobeyed that resolution and its predecessors by exploding its largest nuclear device to date on 3 September. In response the Security Council adopted resolution 2375 (2017). This resolution introduced an annual cap on petroleum imported to the DPRK annually of 2 million barrels. It also set a cap on crude oil. A ban was placed on condensates and natural gas imports and textiles exports from the DPRK. Joint ventures and cooperative entities with DPRK nationals and entities were also prohibited. Maritime interdiction measures on DPRK-related vessels were introduced. Further work authorizations for DPRK nationals on the territory of Member States were also prohibited, with a number of limited exemptions. On 15 September the DPRK launched another ICBM and on the 28 November the DPRK launched yet another ICBM, its largest to date, the Hwasong 15. In response to these launches the Security Council adopted resolution 2397 (2017). This resolution increased four-fold the annual cap on petroleum products, reducing to 500,000 barrels per year that might be legally imported. In that resolution the Security Council also decided that should the DPRK conduct any further nuclear or ballistic missile tests, imports would be further reduced. The resolution also explicitly acknowledged that “the proceeds of the DPRK’s trade in sectoral goods, including but not limited to coal, iron, iron ore, lead, lead ore, textiles, seafood, gold, silver, rare earth minerals, and other prohibited metals, as well as the revenue generated from DPRK workers overseas, among others, contribute to the DPRK’s nuclear weapons and ballistic missile programs”. Resolution 2397 (2017) expanded sectoral sanctions by introducing a ban on the DPRK’s export of food and agricultural products, machinery, electrical equipment, earth and stone including magnesite and magnesia, wood and vessels. The resolution also prohibited the DPRK from selling or transferring fishing rights. The resolution also introduced a ban on some very important imports, including the supply, sale or transfer to the DPRK of all industrial machinery, transportation vehicles, iron, steel and other metals with the exception of spare parts to maintain DPRK commercial civilian passenger aircraft currently in use. 2397 (2017) also strengthened the ban on providing work authorizations for DPRK nationals by requiring Member States to repatriate all DPRK nationals earning income and all DPRK government safety oversight attachés monitoring DPRK workers abroad within their jurisdiction within 24 months from 22 December 2017.

The above is a summarized version of events. However, the pattern is clear. An illegal nuclear test or serious ballistic missile launch is met with a response from the Security Council in the form of additional sanctions.

By resolution 2397 (2017) adopted on 22 December 2017 the Security Council decided that further such illegal tests or launches would result further caps on North Korea's petroleum imports.

Since 22 December 2017 there have been no further nuclear tests or serious ballistic missile launches. The Executive Summary of the Panel's Final Report provides information on sanctions evasion investigated by the Panel during 2018.

The nuclear and ballistic missile programmes of the Democratic People's Republic of Korea remain intact and the country continues to defy Security Council resolutions through a massive increase in illegal ship-to-ship transfers of petroleum products and coal. These violations render the latest United Nations sanctions ineffective by flouting the caps on the import of petroleum products and crude oil by the Democratic People's Republic of Korea as well as the coal ban, imposed in 2017 by the Security Council in response to the country's unprecedented nuclear and ballistic missile testing. In addition to information provided to the Panel by several Member States on ship-to-ship transfers, one Member State indicated, while queried by another, that the Democratic People's Republic of Korea had already procured over 500,000 barrels of refined petroleum products in 2018. Global banks and insurance companies continue to unwittingly facilitate payments and provide coverage for vessels involved in ever-larger, multi-million-dollar, illegal ship-to-ship transfers of petroleum products, as well as an increasing number of ship-to-ship coal transfers and attempted transshipments.

The Democratic People's Republic of Korea continues to violate the arms embargo and has attempted to supply small arms and light weapons and other military equipment to Houthi rebels in Yemen, as well as to Libya and the Sudan, via foreign intermediaries, including Syrian arms trafficker Hussein al-Ali in the case of the Houthi rebels. The Panel continued investigations into designated entities and individuals in Asia who clandestinely procured centrifuges for the nuclear programme of the Democratic People's Republic of Korea and attempted to sell a wide range of military equipment to armed groups and Governments in the Middle East and Africa. The Panel investigated the involvement of the Democratic People's Republic of Korea in gold mining in the Democratic Republic of the Congo, the construction of a military camp in Sierra Leone and the sale of fishing rights in the waters surrounding the Democratic People's Republic of Korea, as well as activities of designated entities and other prohibited activities around the world. The Panel also investigated the acquisition by the Democratic People's Republic of Korea of leading luxury brand goods, such as Rolls-Royce, Mercedes-Benz and Lexus vehicles. The world's largest container shipping line continued to unwittingly transport prohibited items later seized by Member States.

Financial sanctions remain some of the most poorly implemented and actively evaded measures of the sanctions regime. Individuals empowered to act as extensions of financial institutions of the Democratic People's Republic of Korea operate in at least five countries with seeming impunity. The Reconnaissance General Bureau continues its international financial operations by transferring funds from accounts closed in the European Union to those held at financial institutions in Asia. The global operations of Glacom and the

Malaysia-Korea Partners Group of Companies (MKP) continue despite the Panel's past reporting on their illicit activities and show the ongoing use of overseas companies and individuals to obfuscate income-generating activities for the regime of the Democratic People's Republic of Korea. The Panel also investigated companies acting as possible cooperative entities or joint ventures, some of which are officially registered as joint ventures and others that more actively conceal the nature of their collaboration with the Democratic People's Republic of Korea. A number of these entities have also violated other provisions of the resolutions, including by maintaining links to designated entities. The Panel also investigated the sophisticated cyberattacks carried out by the Democratic People's Republic of Korea against multiple Member States to evade financial sanctions.

Ship-to-ship transfers involve increasingly advanced evasion techniques. The disguising of vessels through ship identity theft and false Automatic Identification System (AIS) transmissions is not being taken into account by most global and regional commodity trading companies, banks and insurers, whose due diligence efforts fall extremely short. The manipulation of vessel AIS transmissions remains an overarching feature of illegal transfers, contrary to International Maritime Organization (IMO) regulations governing safety of life at sea, which require that AIS be in operation at all times. This highlights weak monitoring by flag States. In addition, insurers do not monitor the AIS of the vessels for which they provide coverage and services. Other methods of evasion include physical disguise of tankers of the Democratic People's Republic of Korea, the use of small, unregistered vessels, illegal name-changing and other forms of identity fraud, night transfers and the use of additional vessels for transshipment. In addition to evading sanctions, the Democratic People's Republic of Korea and its maritime fleet are systematically violating the United Nations Convention on the Law of the Sea, routinely engaging in double-flagging and providing safe harbour for hijacked ships. The Panel inspected seized vessels engaged in prohibited coal trades, documenting ship identity laundering, whereby the owners had deceived IMO into providing new vessel identity numbers to avoid repeat detection. The Panel found that ports and airports in the Democratic People's Republic of Korea were being used for rampant violations of the resolutions, ranging from illegal oil imports and coal exports to the smuggling of bulk cash by nationals of the Democratic People's Republic of Korea. Furthermore, the Panel found that the country was using civilian facilities, including airports, for ballistic missile assembly and testing with the goal of effectively preventing "decapitation" strikes.

Diplomats of the Democratic People's Republic of Korea continue to play a key role in sanctions evasion. While some Member States have limited the number of bank accounts of the country's embassies and diplomats as required by the resolutions, the latter are evading this provision by controlling accounts in multiple countries, including those to which they are not accredited. Diplomats and representatives of designated entities of the Democratic People's Republic of Korea also circumvent the assets freeze and the limit on the number of diplomatic bank accounts by holding accounts in the name of family members and front companies and by establishing accounts in multiple jurisdictions. Diplomats of the Democratic People's Republic of Korea continue to travel under false

accreditation in their passports and have also facilitated the country's efforts to illegally export large quantities of coal through transshipment to disguise the origin.

Member States, United Nations agencies and humanitarian organizations have expressed concern that despite the exemption provisions in the resolutions and the Committee's efforts, United Nations agencies and humanitarian organizations continue to experience difficulties in meeting critical life-saving needs of vulnerable populations in the Democratic People's Republic of Korea. The present report offers a series of recommendations for designation and other practical measures to assist Member States and the Security Council in addressing implementation challenges and shortcomings.⁵

The Panel's reports include the following selected recommendations to Member States:

Member States and relevant international organizations should ensure that the global and regional commodity trading companies and tanker fleets operating under their jurisdictions and in those at-risk segments of the free-on-board market and/or engaging in ship-to-ship transfer in the affected international waters adopt contractual language that includes effective end-use delivery verification.

Member States and relevant international organizations should ensure that the global and regional commodity trading companies and tanker fleets operating under their jurisdictions and those segments of the affected free-on-board markets assess the AIS history of all the vessels that they intend to supply with products banned under the resolutions.

Flag States should inform the Committee and the Panel of vessels that they deregister.

Flag States should monitor the AIS of their vessels to better ensure implementation of the resolutions.

Members States should consider introducing a regulatory requirement for protection and indemnity insurance and reinsurance companies to include AIS screening and an "AIS switch-off" clause in their contracts for at-risk vessels operating in the relevant regions.

Member States should consider introducing a regulatory requirement for petroleum product trading, refining and producing companies to include end-use delivery verification measures and AIS screening as well as an "AIS switch-off" clause in their contracts.

IMO member States should consider measures to improve information-sharing and maritime regulation enforcement by flag States and other interested parties.

Member States should consider introducing legislation to ensure that global and regional banks operating in their jurisdiction introduce AIS screening and vessel due diligence risk assessment clauses into letters of credit, loans and other financial instruments for global and regional commodity traders and brokers trading in oil and petroleum products in higher-risk free-on-board markets in the affected areas.

⁵ For report, see: https://www.un.org/securitycouncil/sanctions/1718/panel_experts/reports

Member States should enhance their ability to facilitate robust information exchange on the cyberattacks by the Democratic People's Republic of Korea with other Governments and with their own financial institutions, to detect and prevent attempts by the Democratic People's Republic of Korea to employ its cyber capabilities for sanctions evasion.

Information about cyberattacks conducted by the Reconnaissance General Bureau as a means to evade financial sanctions and to gain foreign currency should be added to the Reconnaissance General Bureau's entry on the 1718 sanctions list.

Given the pervasive use of accounts in the names of family members to evade sanctions, the Panel recommends that Governments provide their financial institutions with a list not only of accredited diplomats, but of their family members, to ensure that diplomats do not establish additional bank accounts in their names.

The Panel recommends that Member States issue guidance for a single bank to be identified as the only bank that may hold accounts for the embassy and diplomats of the Democratic People's Republic of Korea and that all others be advised not to hold accounts for diplomats of the Democratic People's Republic of Korea or their family members.

The Panel recommends that Member States advise their financial institutions not to open accounts for diplomats of the Democratic People's Republic of Korea who are not accredited to their country and to share information on the financial activities of diplomats of the Democratic People's Republic of Korea with other Member States where records show that there has been financial activity, to avoid cross-border circumvention of sanctions.

Member States should advise their financial institutions that only closing bank accounts (as opposed to freezing) does not meet the requirements of the resolutions, which stipulate that they must freeze all assets controlled by designated individuals or entities and those operating on their behalf, as well as of any members of the Government of the Democratic People's Republic of Korea that are engaged in violating or evading any of the provisions of the resolutions.

Member States should offer technical assistance to other Member States to help them to strengthen their legal frameworks and related mechanisms to implement the financial provisions in the resolutions, as appropriate and in line with Article 49 of the Charter of the United Nations.

As part of their implementation of paragraph 18 of resolution 2375 (2017), Member States should request their corporate registries to extract the details of all companies with a national director or shareholders of the Democratic People's Republic of Korea, bearing in mind that the registration of such companies may de facto violate the ban.

Given that joint ventures have violated other provisions of the resolutions in addition to paragraph 18 of resolution 2375 (2017), the names of those directors and shareholders should be shared with investigation agencies, financial intelligence units and financial institutions.

The Panel recommends that Member States clarify with their national agencies that insurance providers are financial institutions and therefore subject to all of the

relevant financial provisions in the resolutions, including the need to freeze assets under the resolutions.

These are the principal recommendations made to Member States in the Panel's 2019 report.

In conclusion, I should stress that the report also noted the DPRK's use of civilian infrastructure for ballistic missile assembly and testing. From previous Panel reports one may observe that the DPRK has made widespread use of ostensibly civilian, commercial, diplomatic and trade entities and personnel for past ballistic missile and nuclear-related procurement from other Member States. There are also many examples of the use of the DPRK's merchant fleet of vessels, DPRK diplomats, trade representatives and Embassies for arms sales, illegal financial transactions and other activities prohibited under the resolutions. I believe the Security Council imposed so many measures – at least 26, compared to the average of 3.5 for a UN sanctions regime – on the DPRK for these reasons. These comprehensive and targeted measures, particularly beginning in March 2016 were in response to the DPRK's single-minded pursuit of its nuclear weapons and ballistic missile programs for which all the resources of the State – civilian, diplomatic and military were deployed as necessary.

I would like to conclude this written testimony by recognizing the hard work and dedication of my Panel colleagues, past, present and future. I would also like to thank UN Secretariat colleagues without whom our investigations and reports would not have been possible. My former and current Panel members and UN staff colleagues have made our reporting something to be rightly proud of and I would like to thank them for their service.

Mr. SHERMAN. Thank you, Mr. Griffiths. I know that you did not have a chance to deliver your entire opening statement. And that is why I will give you time at the end of these hearings to give us a concluding statement, to include any of the material that was not elicited by questions.

At this point, I need to leave for just a few minutes. I am going to recognize Mr. Connolly for 5 minutes, and then, he will recognize Mr. Yoho for 5 minutes.

Mr. CONNOLLY [presiding]. I thank the chair.

Before I begin, Mr. Griffiths, on behalf of all of us, we want to honor your two lost colleagues in the service of international peace, and we are so sorry for that loss. We, like you, hope that the perpetrators of those grisly murders will be brought to justice.

Thank you for your testimony this morning.

You know, one of the concerns I always have about raising expectations too high is that results are often disappointing. And maybe with the best of intentions, President Trump agreed, in an unprecedented move, to meet with the leader of North Korea, the first President ever to do that. He not only met with him in Singapore, he met with him again in Hanoi.

Expectations were high. The South Korean President was overjoyed at the prospect of perhaps reconciliation measures in the peninsula and the dismantlement of the nuclear program in North Korea.

Since those two summits, however, the status of the nuclear development program, as your testimony indicates, and as the report of the POE indicates, seems not to have changed at all. Overt testing of missiles has ceased, but in terms of proceeding with the nuclear development program, the evidence would suggest we are going in the wrong direction.

Have I got that wrong? I mean, have we had concrete steps toward denuclearization in your expert opinion?

Mr. GRIFFITHS. So, the resolutions remain in force, and my expertise is investigating North Korean evasion of the sanctions measures.

Mr. CONNOLLY. Yes, but, Mr. Griffiths, the purpose of the sanctions is to deter the nuclear development program in North Korea, is it not?

Mr. GRIFFITHS. The resolutions talk about the need for dialog within the six-party talks, and within that framework, the resolutions talk about verifiable denuclearization.

Mr. CONNOLLY. Right, and have you seen progress since the two summits or since the adoption of those resolutions in terms of verifiable measures toward denuclearization?

Mr. GRIFFITHS. No, sir, I have not.

Mr. CONNOLLY. We talked about sanction evasion, and you talked about 26 measures imposed by the United Nations at least. And you described those 26 as being comprehensive. I mentioned in my testimony, and you shook your head yes I think, but what about maritime insurance? Is there a way we can use maritime insurance to deter offshore offloading of illegal goods that evade sanctions? Can we do a better job of that among both U.N. members and, as I advocated, NATO members?

Mr. GRIFFITHS. Yes, sir, I think addressing maritime insurance as part of a comprehensive approach that looks at flag States, in particular, but also vessel owners, vessel operators, commodity traders, the oil companies that contract with vessels whose product is sometimes diverted to North Korean tankers for these illegal ship-to-ship transfers—if you look at the whole maritime ecosystem in that part of the world and target every international actor involved, you will see good results.

Mr. CONNOLLY. How satisfied are you in terms of cooperation among U.N. members with POE and with what you are trying to do and the enforcement of sanctions? Is it widespread, the evasion, or is it kind of limited to a select number?

Mr. GRIFFITHS. It is difficult question to give a short answer to. If we focus on the North Koreans because the North Koreans have approached sanctions evasion in a very, very intelligent manner, and they look at the global system, the global financial system, how the maritime ecosystem works in practice, and they look for the gaps. They look for the gaps in banking security. That is how they conduct these massive heists, \$81 million in the case of Bank of Bangladesh. So, they are so sophisticated.

And you only have to look at the cartels, the narco traffickers, to see how they evade law enforcement mechanisms to conduct their trade so successfully. And I would say that the North Korean masterminds behind their illegal activities approach it in the same way. They bank with respectable banks one way or another. They use loopholes, particularly in the offshore economy and international financial centers, to get around security measures that are in place. So, that is where I would start from.

Mr. CONNOLLY. Thank you.

My time is up. I am going to give you a copy of the paper I referenced that was presented to the annual meeting of the NATO Parliamentary Assembly, which is the latest, sort of the legislative arm of NATO. And the reason I am giving it to you is, even though North Korea is not sort of an issue directly related to European collective security or North Atlantic collective security, we decided that it is an issue we have to address. And this paper was adopted unanimously.

A lot of the work in this paper relied on the work you did at POE. So, thank you for your work, and it continues to reverberate in lots of other forms.

The chair now recognizes my friend, the distinguished ranking member, Mr. Yoho of Florida.

Mr. YOHO. Thank you, Mr. Connolly.

I appreciate your testimony.

First, I want to just reiterate what Mr. Connolly said about your colleagues, Michael Sharp and Zaida Catalan. Giving up their life for monitoring sanctions, you know, they are out there doing that inspection of what the U.N. and the people that vote that way task them to do. And so, they have given up their life, and I know that was an emotional time for you. And I appreciate you dedicating this to them.

I think we need to keep that in mind as we move forward. Sanctions are in place. So, the U.N.—and we just met with the Secretary General, I think it was a week or 2 weeks ago. We talked

about when sanctions are put in place and member nations or member States, they do not adhere to them, what can we do to those. Because this is a serious issue in North Korea. It has been going on. It has been escalating. They have perfected from intermediate to long-range missiles, God knows what else, and we know they have nuclear weapons. Left unchecked another 5 or 10 years, I am sure we would all agree it would be a worse situation and it would be that much stronger.

When I look at North Korea, I see the epitome of the black market, the epitome of the underground market, or the dark web. They have learned how to navigate in a 21st century world without being present. They can funnel money through different shell corporations, whether it is in Hong Kong, Singapore, even the United States, and they have become very astute at doing that, as you brought up the \$81 million.

I do not think we can ever block all of that, but when I have a country, i.e., China, that does over 90 percent of the trade with North Korea, that is a member of the permanent Security Council, and Russia, that are evading the sanctions, you know, we can go after the \$81 million, but I think we need to go after the bigger players.

In your recommendation—I know it has got to be frustrating. The U.N. votes on it, on the sanctions. You guys have to monitor it. Then, you have to report back. And countries like Russia, or all of the 15 countries that were on that unanimous decision, they can weigh in on this, on your report, right? And they can kind of redact things, is that true?

Mr. GRIFFITHS. No, sir.

Mr. YOHO. They cannot redact it?

Mr. GRIFFITHS. No, sir.

Mr. YOHO. They can challenge stuff in there, right?

Mr. GRIFFITHS. There was one occasion where a member State made public some form of displeasure. I mean, people have conversations with me all the time, but no member State has ever redacted a panel final report.

Mr. YOHO. Thank you for clarifying that.

Mr. GRIFFITHS. I mean, annexes have been routinely in the past made confidential, but everything has been published that the panel has wanted to publish.

Mr. YOHO. So, your 378-page report is pure information?

Mr. GRIFFITHS. Peer-reviewed.

Mr. YOHO. Well, it is pure information that your panel, the POE, has come out with, right?

Mr. GRIFFITHS. Yes, sir.

Mr. YOHO. OK. That is good to know, because I was told earlier that it gets redacted by certain nation States. So, I need to review that.

Mr. GRIFFITHS. Well, the only people who have talked to me about redaction is the panel members.

Mr. YOHO. OK.

Mr. GRIFFITHS. And we certainly have not agreed to any redactions of the report by member States. That would be wrong.

Mr. YOHO. I look forward to going through that.

What would be your recommendation on countries that do not adhere—well, let's just focus on the 15 or the five permanent member States on the NSC, the National Security Council. What would be a recommendation for countries that vote to put sanctions and, then, do not adhere to them? Do you have any recommendations?

Mr. GRIFFITHS. Well, sir, I mean, to be frank with you, on the subjects that we have tackled within our 2019 final report, it is more a case of individuals and companies seeking to make money from sanctions evasion—

Mr. YOHO. Sure.

Mr. GRIFFITHS [continuing]. By cooperating with the North Koreans. In absolute honesty, there are only a few sanctions violations by the North Koreans in certain African and Middle Eastern States which were providing either ballistic missile or conventional arms technology or services, whereby the senior leadership of the ministry of defense of that country, and thereby the office of the President or State security, would have been aware of what these North Koreans were doing there.

Mr. YOHO. Well, let me ask you about the ship-to-ship transfers that happen with China, because China, you know, the controlling, ultimate entity there is the Chinese Communist Party. So, I cannot imagine shipping entities under so-called private registration are allowed to do ship-to-ship transfers without the Chinese Communist Party. So, therefore, it would indicate a nation State being complicit. Am I wrong on that?

Mr. GRIFFITHS. Well, here is the technical thing, sir, and it is actually a really important point. I mean, you might have access to different and high levels of intelligence I am not read into; I do not have U.S. security clearance.

Mr. YOHO. Right.

Mr. GRIFFITHS. But if you look at even the U.S. document, and it is a very useful document, it was issued on March 21st. And it is from the U.S. Department of Treasury, together with their colleagues in the State Department and the Coast Guard, and it is called "Updated Guidance on Addressing North Korea's Illicit Shipping Practices".

And that is a really important document that has become kind of lost in all this, I suppose, media focus on the recent sanctions cases, your country's sanctions cases, the two companies. But if you look at this document, the Treasury guidance, at the back you will see which vessels that the U.S. Treasury, the U.S. Government, believe have engaged in ship-to-ship transfers with North Korean tankers.

And while many of the flag States—and it is important because the flag States have the jurisdiction over the vessels, no matter who is crewing them, no matter where the companies are. I will read you them. This is a U.S. document.

Mr. YOHO. You know, for brevity of time here and to get to the other members—

Mr. GRIFFITHS. Togo, Sierra Leone, Panama, Panama, Togo, Republic of Korea, unknown, Panama, unknown, unknown, unknown, Singapore, unknown, Togo, Russia, Sierra Leone, Russia, unknown. I mean, the list goes on. This is just U.S. information. It is not U.N.-approved information.

Mr. YOHO. What I would like to do is, with the chairman's permission, have that entered into the record.
[The information referred to follows:]



DEPARTMENT OF STATE



DEPARTMENT OF THE TREASURY



UNITED STATES COAST GUARD

North Korea Sanctions Advisory

Issued: March 21, 2019

Title: Updated Guidance on Addressing North Korea's Illicit Shipping Practices

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), with the U.S. Department of State and the U.S. Coast Guard, is updating the advisory published on February 23, 2018. This advisory provides new information about North Korea's deceptive shipping practices, additional guidance on how to mitigate the risk of involvement in these practices, a new graphic depicting certain ports of call, and three new annexes. The U.S. government recommends that all parties involved in the shipping industry and related commercial entities — including ship owners, managers, and operators, brokers, flag registries, oil companies, port operators, shipping companies, classification service providers, insurance companies, and financial institutions — be aware of the practices set out in this advisory in order to implement appropriate controls to identify North Korea's illicit shipping practices.

Despite robust U.S. and United Nations (UN) sanctions on North Korea, North Korea continues to evade sanctions, particularly through illicit ship-to-ship transfers of refined petroleum and coal. In 2018, North Korean ports received at least 263 tanker deliveries of refined petroleum procured from UN-prohibited ship-to-ship transfers. If these tankers were fully laden when they made their delivery, North Korea would have imported 3.78 million barrels, or more than seven and a half times the allowable amount of refined petroleum (i.e., 500,000 barrels/year) under UN Security Council Resolution (UNSCR) 2397.

In addition to continued illicit imports of refined petroleum, North Korea has resumed exports of coal in the Gulf of Tonkin. UNSCR 2371, adopted in August 2017, prohibits the procurement of North Korean-origin coal, and UNSCR 2397, adopted in December 2017, acknowledges that the proceeds of North Korea's trade in sectoral goods, including coal, contribute to the regime's nuclear weapons and ballistic missile programs. The United States will continue to use its sanctions authorities to target persons in various industries, including, but not limited to, the shipping industry that further North Korea's illicit revenue-generating schemes that fund the regime's nuclear weapons and ballistic missile programs.

This advisory now contains five annexes, three of which are new. The first provides an overview of U.S. and UN sanctions relevant to the shipping industry, including a non-exhaustive list of bases for which persons may be sanctioned by OFAC. The second provides an updated list of 28 North Korean tankers known to be capable of engaging in ship-to-ship transfers of refined petroleum products and other banned goods. The new third annex provides specific guidance for UN Member States and relevant industry actors on best practices to avoid engaging in North

Korea-related illicit activities. The new fourth annex provides a list of 18 vessels that are believed to have engaged in illicit ship-to-ship transfers of refined petroleum with North Korean tanker vessels. The new fifth annex provides a list of 49 vessels that are believed to have exported North Korean-origin coal.

The United States, along with Australia, Canada, France, Italy, Japan, and the United Kingdom, have highlighted these deceptive practices at the International Maritime Organization (IMO) to call all IMO Member States' attention to these deceptive shipping practices, and to remind all Members States of the requirements and guidance contained in relevant IMO instruments. The IMO consequently issued Circular MSC.1/Circ. 1602 on March 5, 2019, to call the attention of all Member States and other maritime industry stakeholders to North Korea's deceptive practices. The United States requests that UN Member States, port state control authorities, and flag registries provide this advisory to all relevant persons in their jurisdictions.

Deceptive Shipping Practices Employed by North Korea

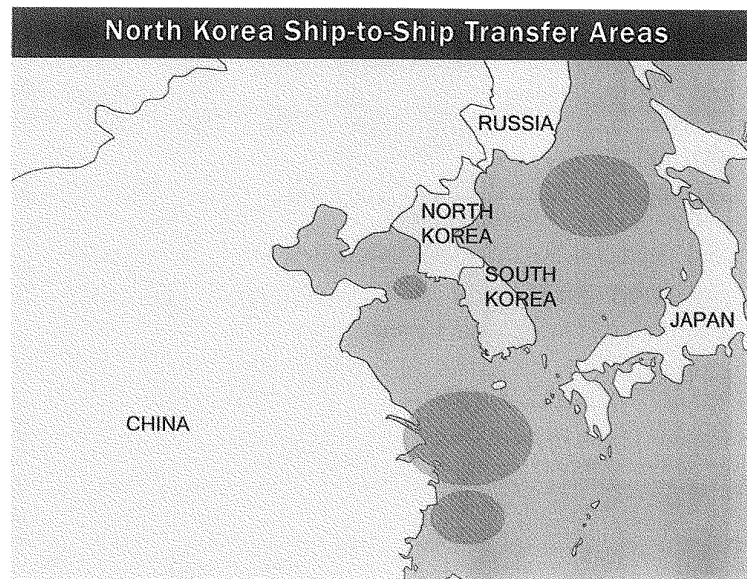
The following are tactics used by North Korea and other illicit actors to obfuscate the identities of vessels and cargo, including origin and destination:

- **Disabling Automatic Identification System (AIS):** AIS is an internationally accepted maritime safety and navigation-related system that transmits, at a minimum, a vessel's identification and select navigational and positional data via very high frequency radio waves. The International Convention for the Safety of Life at Sea *requires* that certain classes of vessels on international voyages maintain automatic broadcasts. North Korea-flagged merchant vessels often intentionally disable their AIS transponders to mask their movements. Similarly, vessels with which North Korea conducts ship-to-ship transfers will typically disable AIS to evade detection to facilitate illicit trade. This tactic, whether employed by North Korea-flagged vessels or third-country vessels involved in trade with North Korea, is a red flag for potentially illicit activity, as it is a violation of international regulations and is often done to conceal the origin or destination of cargo associated with North Korea. The United Nations Security Council (UNSC) 1718 Committee's Panel of Experts (PoE) issued its report on March 5, 2019 and recommends that protection and indemnity insurance and reinsurance companies and petroleum product trading, refining and producing companies include an "AIS switch-off clause" and AIS screening in contracts for at-risk vessels operating in relevant regions.¹
- **Physically Altering Vessel Identification:** Maritime vessels meeting certain tonnage thresholds are required to display their name and IMO number (a unique, seven-digit vessel identification code) in a visible location either on the ship's hull or superstructure. A vessel's IMO number is intended to be permanent regardless of a change in a vessel's ownership or name. North Korea-flagged vessels have illegitimately painted over vessel names and IMO numbers to obscure their identities and pass themselves off as different

¹ The UNSC PoE report published on March 5, 2019 can be found here: https://www.un.org/securitycouncil/sanctions/1718/panel_experts/reports.

vessels. As noted in the March 5, 2019 UNSC PoE report, the UN-designated *Yuk Tung* engaged in vessel spoofing by transmitting a false AIS and used the IMO number of a different vessel.

- **Ship-to-Ship Transfers:** A ship-to-ship transfer is the movement of cargo from one ship to another while at sea, rather than in port. Ship-to-ship transfers can conceal the origin or destination of the transferred cargo. North Korea operates a fleet of at least 28 tankers capable of engaging in ship-to-ship transfers of refined petroleum products, and at least 33 ships that are capable of transporting coal. See Annexes 2, 4, and 5 for relevant lists of names and IMO numbers of vessels, though the names are subject to change and the IMO numbers may be obfuscated as North Korea seeks to conceal the identity of vessels engaging in illicit trade. The following map shows the area where ship-to-ship transfers of refined petroleum commonly occur:

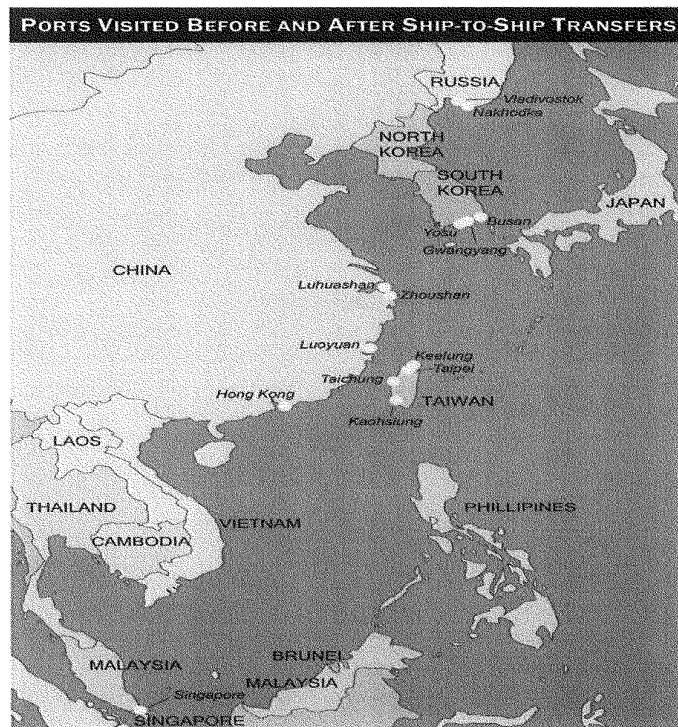


- **Falsifying Cargo and Vessel Documents:** Complete and accurate shipping documentation is critical to ensuring all parties to a transaction understand the parties, goods, and vessels involved in a given shipment. Bills of lading, certificates of origin, invoices, packing lists, proof of insurance, and lists of last ports of call are examples of

documentation that typically accompanies a shipping transaction. North Korea routinely falsifies these documents to obscure the origin or destination of cargo.

- **Manipulating AIS:** North Korea-flagged vessels sometimes manipulate the data transmitted via AIS. Such manipulation could include altering vessel names, IMO numbers, Maritime Mobile Service Identities (MMSIs),² or other unique identifying information. This tactic can conceal a vessel's next port of call or other information regarding its voyage.

The following graphic shows ports of call before and after ship-to-ship transfers of refined petroleum:



² Vessels use an MMSI, which is a series of nine digits sent in digital form over a radio frequency channel, in order to uniquely identify ship stations, ship earth stations, coast stations, coast earth stations, and participate in group calls.

Risk Mitigation Measures

North Korea's deceptive practices are intended to circumvent existing sanctions compliance controls used by the shipping industry and other actors involved in shipping-related transactions, such as insurance companies and financial institutions. The following measures may mitigate the risks posed by North Korea's deceptive shipping practices:

- **Research a Ship's History to Identify Regular AIS Manipulation:** As part of their due diligence, parties that are involved in the supply chain of ship-to-ship transfers of refined petroleum – oil providers, ship captains, crew, brokers, ship owners, managers, operators, and insurers – should research a vessel's AIS history to help determine whether the vessel may be involved in illicit activities. Parties involved in the import of coal in the Gulf of Tonkin should undertake similar measures.
- **Monitor for AIS Manipulation and Disablement:** Ship registries, insurers, charterers, ship owners, oil providers, and port state control entities should consider investigating vessels that appear to have turned off their AIS while operating in the area surrounding the Korean peninsula, in the East China Sea, or in the Gulf of Tonkin. Any other signs of AIS transponder manipulation should also be considered a red flag and investigated fully prior to entering into contracts with, continuing to provide services to, or engaging in other activities with such vessels (including processing financial transactions in connection with the vessel's activities). Service providers should monitor the AIS transmissions of ships capable of transporting oil that operate in the East China Sea, or coal in the Gulf of Tonkin, and other areas where ship-to-ship transfers occur. Service providers should consider amending contracts to make disabling or manipulating AIS grounds for investigation, which could lead to termination of services or contracts if illicit activity is identified. The United States welcomes the actions of international protection and indemnity (P&I) clubs that have issued circulars on the dangers of North Korean shipping that also explicitly note that insurance will be withdrawn if vessels are engaged in these activities, and encourages all relevant commercial entities to do the same.
- **Promote Continuous AIS Broadcasts:** Port state control authorities in East Asia and Southeast Asia, including the Gulf of Tonkin, should remind oil tankers and ships transporting coal arriving and leaving their jurisdictions of the requirement to maintain AIS broadcasts. Doing so promotes compliance with the International Convention for the Safety of Life at Sea, and port authorities in those locations should remind ships that AIS manipulation and disablement are red flags for illicit activity. Shipping industry associations should circulate this advisory to the companies with which they interact or create their own version and circulate to their members.
- **Petroleum Supply Chain Due Diligence:** Encourage oil companies to mandate that those in the supply chain conduct due diligence to ensure that each recipient and counterparties are not providing oil to a North Korean tanker, and to mandate that they

perform end-use checks for ships that conduct ship-to-ship transfers, particularly in the ship-to-ship transfer area identified in the graphic above.

- **Conduct Research Prior to Ship-to-Ship Transfers:** Vessel operators conducting ship-to-ship transfers in the area highlighted in the graphic on page 3 should be aware of the potential for North Korean vessels to use deceptive practices to hide their identities, including by using false vessel names or IMO numbers. Vessel operators should ensure that they have verified the vessel name, IMO number, and flag prior to engaging in such a transfer, and ensure there is a legitimate business purpose for the ship-to-ship transfer.
- **Review All Applicable Shipping Documentation:** Individuals and entities processing transactions pertaining to shipments potentially involving North Korea-flagged vessels or shipments to or from North Korea should ensure that they request and review complete and accurate shipping documentation. Such shipping documentation should reflect the details of the underlying voyage, including the vessel, cargo, origin, destination, and parties to the transaction. Any indication of manipulated shipping documentation is a red flag for potential illicit activity and should be investigated fully prior to continuing with the transaction. In addition, documents related to ship-to-ship transfers should demonstrate that the underlying goods were delivered to the port listed in the documentation.
- **Clear Communication with International Partners:** Not all parties to a shipping transaction may be subject to the same sanctions regimes, so clear communication is a critical step for international transactions. Clearly communicating U.S. and UN sanctions obligations and the steps required to ensure compliance with them to parties involved in a transaction can ensure more effective compliance with relevant sanctions programs. We encourage all parties involved in the shipping industry to share this advisory with those in your supply chain.
- **Leverage Available Resources:** There are several organizations that provide commercial shipping data, such as ship location, ship registry information, and ship flagging information. This data should be incorporated into due diligence practices, along with available information from OFAC, the UN, and the Coast Guard, as outlined below in the “North Korea Sanctions Resources” section of this advisory.

Penalties for Violations of U.S. and UN Sanctions Regimes

Individuals and entities engaged in shipping-related transactions should be aware of the potential consequences for engaging in prohibited or sanctionable conduct.

OFAC investigates apparent violations of its regulations and exercises enforcement authority as outlined in its Economic Sanctions Enforcement Guidelines. Persons that violate U.S. sanctions with respect to North Korea may face civil monetary penalties and criminal prosecution. Each violation of U.S. sanctions on North Korea is subject to a civil monetary penalty of up to the

greater of \$295,141 or twice the value of the underlying transaction.³ See [OFAC's Resource Center](#) for additional information regarding OFAC's enforcement authorities, Economic Sanctions Enforcement Guidelines, recent civil penalties, and other enforcement actions.

DPRK-related UNSCRs also provide various mechanisms for ensuring compliance with UNSCR obligations. The UNSC's 1718 Committee may require a Member State to deregister a ship designated by the UN for sanctions evasion and may also direct that Member States prohibit the vessel from entering their ports. If there are reasonable grounds to suspect that a ship is carrying UN-prohibited cargo, a UN Member State may inspect the ship on the high seas with the consent of the flag state. The flag state may also direct the vessel to proceed to a specific port for inspection. Vessels whose registration cannot be confirmed or that are deregistered by the flag state may be treated as a vessel without nationality and be subject to the laws of the nation conducting the inspection.

North Korea Sanctions Resources

For questions or concerns related to OFAC sanctions regulations and requirements, including to disclose a potential violation of U.S. sanctions regulations, please contact OFAC's Compliance Hotline at 1-800-540-6322 or via OFAC_Feedback@treasury.gov. To submit a request for a specific OFAC license, see <https://licensing.ofac.treas.gov/Apply/Introduction.aspx>.

IHS Maritime is the manager of the IMO ship numbering scheme. For verification of IMO numbers for individual ships, you can find existing IMO numbers at <https://gis.imo.org/Public/SHIPS/Default.aspx>. IHS Maritime can be contacted via email at mailto:ship_imp@ihs.com or at the following address: IHS Maritime, Sentinel House, 163 Brighton Road, Surrey CR5 2YH, United Kingdom.

The U.S. Coast Guard, in coordination with the U.S. Department of State, maintains a list of vessels that will be denied entry to all U.S. ports pursuant to Title III of the Countering America's Adversaries Through Sanctions Act. This list is periodically updated and located here: <http://www.nvmc.uscg.gov/CAATSA.aspx>. This list is separate from that maintained by OFAC or described in Annex 2. For questions regarding the list, please call or e-mail the U.S. Coast Guard's Headquarters Port State Control Division at portstatecontrol@uscg.mil.

To report potential North Korea-related UN shipping violations, including suspected ship-to-ship transfers with North Korea-flagged vessels in violation of UN requirements, please e-mail: DPRKcargo@state.gov.

³ Consistent with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74 (FCPIA), as amended on March 19, 2018, OFAC adjusted the maximum civil penalty amounts available for violations of the International Economic Emergency Powers Act to \$295,141 or twice the value of the underlying transactions, and will adjust those amounts annually.

ANNEX 1**Overview of Sanctions Related to the Maritime Industry**

Insurers, flag registries, shipping companies, financial institutions, and others involved in shipping-related transactions may be subject to one or more sanctions prohibitions related to North Korea. A high-level overview of these prohibitions follows, but all individuals and entities reviewing this advisory are encouraged to ensure they understand fully all sanctions obligations that pertain to their activities. Please note this section is current as of the date of this advisory—the most up-to-date information can be found at the websites listed in the footnotes below.

The United States prohibits, among other things:⁴

- Any transactions or dealings involving the property or interests in property of the Government of North Korea or the Workers' Party of Korea;
- Direct or indirect exports and imports to or from North Korea of nearly all goods, services, and technology;
- Vessels that have called at a port in North Korea in the previous 180 days, and vessels that have engaged in a ship-to-ship transfer with such a vessel in the previous 180 days, from calling at a port in the United States; and
- Registering a vessel in North Korea, obtaining authorization for a vessel to fly the North Korea flag, and owning, leasing, operating, and insuring any vessel flagged by North Korea.

The United Nations requires Member States to prohibit, among other things:⁵

- Owning, leasing, operating, chartering, or providing vessel classification, certification or associated service and insurance or re-insurance, to any DPRK-flagged, -owned, -controlled, or -operated vessel;
- Providing insurance or re-insurance services to vessels Member States have reasonable grounds to believe were involved in activities or the transport of items prohibited by the relevant resolutions;
- Providing bunkering or servicing of North Korean vessels suspected of carrying prohibited items;
- Ship-to-ship transfers to or from North Korea-flagged vessels of any goods or items that are supplied, sold, or transferred to or from North Korea; and

⁴ These prohibitions apply to transactions by a U.S. person or within the United States, including those that pass through the U.S. financial system. In addition, this document is explanatory only and does not have the force of law. This document does not supplement or modify the statutory authorities, Executive orders (E.O.s), or regulations. For additional details on OFAC prohibitions related to North Korea, see www.treasury.gov/ofac

⁵ All UN Member States have a legal obligation to implement the sanctions measures required by UNSCRs. North Korea-related UNSCRs can be found at the 1718 Sanctions Committee website at <https://www.un.org/securitycouncil/sanctions/1718>.

- Port entry of vessels if designated by the UNSC or if a State has information that provides reasonable grounds to believe that the vessel is owned, controlled, or operated by persons or entities designated by the UNSC.

While the U.S. government imposes a comprehensive prohibition on the importation of goods from North Korea, the UN requires Member States to prohibit the **importation** from North Korea of the following:

- | | | |
|---------------------|-------------------------------------|---|
| • Coal | • Silver | • Electrical equipment |
| • Textiles | • Titanium ore | • Earth and stone,
including magnesia and
magnesite |
| • Seafood | • Rare earth metals | • Wood |
| • Iron and iron ore | • Vanadium ore | • Vessels |
| • Lead and lead ore | • Statues and monuments | • Fishing rights |
| • Copper | • Conventional arms | |
| • Nickel | • Food and agricultural
products | |
| • Zinc | • Machinery | |
| • Gold | | |

Similarly, while the U.S. government imposes a comprehensive prohibition on the exportation of goods to North Korea from the United States or by U.S. persons, the UN requires Member States to prohibit the **exportation** to North Korea of the following goods:

- | | | |
|--|--|--|
| • Refined petroleum*
(beyond 500,000
barrels/year) | • Rocket fuel | • Iron, steel, and other
metals |
| • Crude oil* (beyond
4,000,000
barrels/year) | • Condensates and
natural gas liquids | • Conventional arms |
| • Aviation fuel (except
fuel required for an
aircraft to return to
North Korea) | • Industrial machinery | • Ballistic missiles |
| | • All transportation
vehicles (including
motor vehicles,
trucks, trains, ships,
aircraft, helicopters) | • Weapons of mass
destruction &
components |
| | | • Luxury goods |

**Any transfers below the annual cap established by the UNSC (a) must be fully reported to the 1718 Sanctions Committee within 30 days, (b) must not involve any individual or entity associated with the DPRK's nuclear or ballistic missile programs or other UNSC-prohibited activities, and (c) must be exclusively for livelihood purposes of DPRK nationals and unrelated to generating revenue for the DPRK's nuclear or ballistic missile programs or other UNSC-prohibited activities. If any of these three conditions are not met, even transactions below the authorized annual cap are a violation of UNSCR 2397.*

UNSC measures (to be implemented by UN Member States):*Actions on the high seas:*

- Inspect vessels with consent of the flag State, on the high seas, if inspecting State has information that provides reasonable grounds to believe that the vessel carries prohibited cargo (**discretionary**);
- Flag state to cooperate with such inspections (**discretionary**); and
- Flag state to direct suspected vessels to proceed to an appropriate and convenient port for the required inspection by local authorities if the flag state refuses to permit inspection on the high seas (**mandatory**).

Actions within the territorial sea or within ports:

- Seize, inspect, and freeze (impound) any vessel in its ports when there are reasonable grounds to believe that a vessel is transporting prohibited items or was involved in prohibited activities involving North Korea (**mandatory**);
- Seize, inspect, and freeze (impound) any vessel subject to its jurisdiction in its territorial waters if there are reasonable grounds to believe that the vessel transported prohibited items or was involved in prohibited activities involving North Korea (**discretionary**); and
- Inspect cargo going to or from North Korea by sea, air, rail, or road (**mandatory**).

Actions on high seas or in territorial waters/ports:

- Seize and dispose of any items the transport of which is prohibited by the UNSCR that is discovered in inspections (**mandatory**).

Registration and other flag State responsibilities:

- Immediately deregister a vessel if the UNSC's 1718 Committee designates a vessel for refusing to comply with flag State direction to permit inspection on the high seas or to proceed to port for inspection (**mandatory**);
- Deregister, and cease to provide classification services for, any vessel that State has reasonable grounds to believe was involved in activities, or transported items, prohibited by UNSCRs and to deregister any vessel that is owned, operated, or controlled by the DPRK as well as deny registration of vessels deregistered by other member states or flag registries for violation of sanctions (**mandatory**);
- Immediately deregister any vessel designated by the 1718 Sanctions Committee (**mandatory**); and
- When deregistering vessels that were involved in UNSCR violations, the registry should note the reason for deregistration as "violation of United Nations Security Council resolutions against the DPRK" on the certificate of deregistration (**discretionary**).

Risks for Masters and Crews

- Vessels may only be flagged under one Flag State at a time and may not change flag during a voyage or while in a port of call except in the case of a real transfer of ownership or change in registration. There must be a genuine link between the Flag State and the vessel for valid registration. A vessel claiming more than one flag according to convenience is not entitled to the protection of any flag and may be treated as a vessel without nationality and subject to the jurisdiction of any state conducting an inspection or

boarding at sea or within a port. Similarly, a vessel that makes a claim of registry which cannot be confirmed may also be treated as without nationality and subject to the laws of the nation conducting the inspection.

- Masters and crews must have full confidence in their owners, managers, and operators that their vessels are properly flagged and maintained. When required registry, safety, pollution prevention, and manning certificates do not match or the required Continuous Synopsis Record is not being properly maintained, these should be warning signs to the master and crew that the vessel's registration could be suspect.
- Masters and crews who knowingly make false claims of registration are responsible for their actions including the potential for prosecution or actions against their credentials.

Risks for Ownership and Management

- Owners and managers of vessels should have proper know your customer documentation for their operators and charterers as the owners and managers are ultimately liable for all actions undertaken by the vessel.
- Owners, operators, and managers are responsible for ensuring their vessels are properly flagged and comply with the Flag State's requirements as well as ensuring the vessel's registry, Continuous Synopsis Record and other required certificates are up-to-date. Vessels improperly or fraudulently flagged may be treated as without nationality and subject to the laws of a country conducting an inspection or boarding.

Activities That Could Result in the Imposition of Sanctions:

OFAC designations under U.S. statutes and Executive Orders:

U.S. law requires the U.S. government to impose sanctions on any person determined to knowingly, directly or indirectly:

- Provide significant amounts of fuel or supplies, provide bunkering services, or facilitate a significant transaction or transactions to operate or maintain a vessel or aircraft that is designated under a North Korea-related E.O. or UNSCR, or that is owned or controlled by a person designated under a North Korea-related E.O. or UNSCR; or
- Insure, register, facilitate the registration of, or maintain insurance or registration for, a vessel owned or controlled by the Government of North Korea.

The U.S. government also aggressively targets for designation any person, among others, that:

- Engages in a significant export to or import from North Korea; or
- Operates in the transportation industry in North Korea.

If the Secretary of the Treasury, in consultation with the Secretary of State, determines that a foreign financial institution has knowingly conducted or facilitated a significant transaction in connection with trade with North Korea, or knowingly conducted or facilitated a significant transaction on behalf of a person blocked under North Korea-related Executive orders, that institution may, among other potential restrictions, lose the ability to maintain a correspondent account in the United States.

UN designations:

The Security Council or the Sanctions Committee Established Pursuant to UNSCR 1718 (the 1718 Committee) may designate for targeted sanctions (asset freeze and, for individuals, travel ban) any individual or entity engaged in or providing support for, including through other illicit means, North Korea's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programs.

In addition, the 1718 Committee may list vessels with a variety of consequences to be imposed by all UN Member States. The 1718 Committee could list a vessel for a global port entry ban for engaging in activities prohibited by North Korea-related UNSCRs or transporting prohibited items from the DPRK, as authorized by paragraph 6 of UNSCR 2371 (2017). The Committee, as authorized by paragraph 12 of UNSCR 2321 (2016), could also list vessels for (a) deflagging, (b) direction to a designated port for inspection and follow-on actions, (c) a global port entry ban, and/or (d) an asset freeze (impoundment).

Finally, when States have information about vessels on the high seas that provides reasonable grounds to believe that the cargos of such vessels contain items the supply, sale, transfer, or export of which are prohibited by relevant UNSCRs, and the vessels are uncooperative, the 1718 Committee may take a variety of actions. If the flag State of the vessel neither consents to inspection on the high seas nor directs the vessel to proceed to an appropriate and convenient port for the required inspection, or if the vessel in question refuses to comply with flag State direction to permit inspection on the high seas or to proceed to such a port, then the 1718 Committee shall consider designating the vessel for an asset freeze and other measures authorized in paragraph 12 of UNSCR 2321 (2016). Further, when the 1718 Sanctions Committee makes the designation, the relevant flag State must immediately deregister that vessel. Any State that does not receive the cooperation of a flag State of a vessel suspected of carrying illicit cargo on the high seas must promptly submit a report to the 1718 Committee containing relevant details regarding the incident, the vessel and the flag State, which the 1718 Committee will publish on its website on a regular basis.

ANNEX 2**North Korean Vessels Capable of Engaging in Ship-to-Ship Transfers of Petroleum**

NOTE: This annex is not a sanctions list or a comprehensive list of vessels in which blocked persons may have an interest. While some vessels on this list may be property in which a blocked person has an interest, the inclusion of a vessel in this annex does not constitute a determination by OFAC that the vessel has been identified as property in which a blocked person has an interest. Persons subject to sanctions can be found on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List) and other sanctions lists, which can be searched [here](#).

Ship Name	IMO
AN SAN 1	7303803
CHON MA SAN	8660313
CHON MYONG 1	8712362
CHONG RIM 3	8665131
JI SONG 6	8898740
KANG DONG	8977900
KU BONG RYONG	8983404
KUM PIT 1	8613578
KUM UN SAN	8720436
MA DU SAN	8021579
MU BONG 1	8610461
MYONG RYU 1	8532413
NAM SAN 8	8122347
PAEK MA	9066978
PO CHON	8848276
PU RYONG (aka KUM UN SAN 3)	8705539
RYE SONG GANG 1	7389704
SAEBYOL (aka CHONG RIM 2)	8916293
SAM JONG 1	8405311
SAM JONG 2	7408873
SAM MA 2	8106496
SONG WON	8613360
TONG HUNG 5	8151415
UN PHA 2	8966535
WAN HENG 11 (AKA KUM JIN GANG 3)	8791667
YU JONG 2	8604917
YU PHYONG 5	8605026
YU SON (aka Y CHUN)	8691702

ANNEX 3**Guidance for Member States and Industry to
Avoid Illicit North Korean Maritime Trade****UN Member States**

- Include in National Implementation Reports, as required under relevant UNSCRs, information about how Member States are implementing the port entry ban, deflagging, and asset freeze obligations, as appropriate.
- Encourage shipping industry associations to disseminate this advisory to members, or draft a similar advisory and disseminate that to members.
- Encourage manning agencies to prominently display this advisory in their offices for prospective crew members to review.

Oil Companies and Refineries

- Global commodity traders and companies in the supply chain that provide oil to tankers operating in the East China Sea, should conduct research on the AIS history of vessels that will carry their product to determine if the vessel has a pattern of AIS disablement or manipulation, which could indicate involvement in illicit activities.
- Global commodity traders, and companies in the supply chain that provide oil to tankers operating in the East China Sea, should require knowledge of the ultimate end-user of their products.
- Petroleum product trading, refining and producing companies should include an “AIS switch-off clause” and AIS screening in contracts for at-risk vessels operating in relevant regions.

Maritime Insurance Companies

- Insurance companies should, as part of the due diligence process before extending coverage and at presentment of a claim from a covered vessel, research the AIS history of vessels that transport oil and that operate in the East China Sea to determine if the vessel has a pattern of AIS disablement or manipulation, which could indicate involvement in illicit activities.
- Insurance companies should consider inserting contractual language that states that disabling or manipulating AIS is an indication of potentially prohibited activity and is grounds for investigation, which could lead to revocation of services if illicit activity is discovered.

- Protection and indemnity insurance and reinsurance companies should include a “AIS switch-off clause” and AIS screening in contracts for at-risk vessels operating in relevant regions.

Port State Control Authorities (in Southeast Asia and East Asia)

- As part of the normal port state control communications, remind oil tankers arriving and leaving their jurisdictions of the requirement to maintain AIS broadcasts, in compliance with the International Convention for the Safety of Life at Sea, and remind the ships that AIS manipulation and disablement is a red flag indicator of illicit activity.

Shipping Industry Associations

- Disseminate this advisory to members or create a similar advisory and disseminate to members, to raise awareness of North Korea’s deceptive practices and the ways to mitigate the risks of involvement in illicit shipping activities.

Flag Registries

- The use of fraudulent vessel identities undermines the effective implementation of the UN Security Council resolutions and potentially undermines a Flag State’s registry if it fails to accurately verify the identity of a vessel seeking to reflag to its registry.
- Flag registries should verify the IMO numbers of vessels when receiving an application for registration. The IMO numbers can be verified through the GISIS Ship and Company Particulars module. If the IMO number and ship name do not clearly match, additional investigation should be conducted prior to registering the vessel. In particular the receiving Flag State should contact the previous Flag State to confirm the application information and its intended release from its registry.
- It is recommended that the receiving Flag State review and confirm the Continuous Synopsis Record with the current Flag State before completing the registration. Relatedly, current Flag States are reminded of their duty, under SOLAS Chapter XI-1 regulation 5.8, to transmit to the receiving Flag State administration a copy of the Continuous Synopsis Record covering the period during which the ship was under their jurisdiction, together with any Continuous Synopsis Records previously issued to the ship by other States.
- Prospective Flag States should also review the U.N. Security Council’s Sanctions List Searchable webpage at <https://scsanctions.un.org/search/>.
- Flag registries should, as part of the due diligence process on new petitions for registration and for ships already on the registry, research the AIS history of vessels that transport oil and that operate in the East China Sea, to determine if the vessel has a pattern of AIS disablement or manipulation, which could indicate involvement in illicit activities.

- Publish the names and IMO numbers of vessels that have been denied registration or deregistered for ties to North Korean illicit shipping activities, so that other flag registries can be made aware.
- Publish and disseminate the names and IMO numbers of vessels that have been deregistered or for which any registry has denied registration, so that other flag registries can be made aware.
- When deregistering vessels that were involved in UNSCR violations, the registry should note the reason for deregistration as “violation of United Nations Security Council resolutions against the DPRK” on the certificate of deregistration.

ANNEX 4**Vessels That Are Believed To Have Engaged In
Ship-To-Ship Transfers with North Korean Tankers**

NOTE: This annex is not a sanctions list or a comprehensive list of vessels in which blocked persons may have an interest. While some vessels on this list may be property in which a blocked person has an interest, the inclusion of a vessel in this annex does not constitute a determination by OFAC that the vessel has been identified as property in which a blocked person has an interest. Persons subject to sanctions can be found on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List) and other sanctions lists, which can be searched [here](#).

Ship Name	IMO	Flag State
BINTANG	7706615	Unknown
CHAN FONG	7350260	Togo
JIN HYE aka PEARL 1	8518572	Sierra Leone
KATRIN (formerly: D1325; GOLDEN)	8712790	Panama
KINGSWAY (formerly: BILLIONS NO 18)	9191773	Unknown
KOTI	9417115	Panama / Togo
LUNIS	9200859	Republic of Korea
MIN NING DE YOU 078	Unknown	Unknown
NEW REGENT	8312497	Panama
NYMEX STAR	9078191	Unknown
OU YANG JI XIANG (formerly: HATCH; KOYA)	9396878	Unknown
SEA TANKER II	9664483	Singapore
SHANG YUAN BAO	8126070	Unknown
SUBBLIC (formerly: XIN YUAN 18)	8126082	Togo
TANTAL	8907670	Russia
TIANYOU	8817007	Sierra Leone
VITYAZ	8125703	Russia
YUK TUNG	9030591	Unknown

ANNEX 5Vessels That Are Believed To Have Exported
North Korean Coal Since August 5, 2017

NOTE: This annex is not a sanctions list or a comprehensive list of vessels in which blocked persons may have an interest. While some vessels on this list may be property in which a blocked person has an interest, the inclusion of a vessel in this annex does not constitute a determination by OFAC that the vessel has been identified as property in which a blocked person has an interest. Persons subject to sanctions can be found on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List) and other sanctions lists, which can be searched [here](#).

Ship Name	IMO	Flag State
ANSHUN	9634359	Unknown
ASIA BRIDGE	8916580	Togo
ASIA HONOR	8405220	Unknown
CHONG BONG	8909575	North Korea
DAE BONG 1	8408193	North Korea
DONG FENG 6	9008201	Unknown
FENG SHUN	9097032	Unknown
FLOURISHING	8421315	Unknown
FOREVER LUCKY	9003653	Unknown
GOO RYONG	8201870	North Korea
HAE SONG 1	8995990	North Korea
HO CHON GANG	8415287	North Korea
HUA FU	9020003	Unknown
HUNG BONG 3	8603286	North Korea
JA RYOK	9826952	North Korea
JANG UN	8822260	North Korea
JI NAM SAN	9114555	North Korea
JI SONG 15	9004671	North Korea
JIA FENG	9136541	Togo
JON SUNG 7	8511251	North Korea
K. MORNING	9021576	North Korea
KA RIM CHON	8314811	North Korea
KAL MA	8503228	North Korea
KO SAN	9110236	North Korea
KUM DAE	9020223	North Korea
KUM SAN BONG	8810384	North Korea

LUCKY STAR	9015278	Togo
MAN CHUNG 1	8406858	North Korea
MYONG SIN	9045182	North Korea
NAM DAE CHON	9138680	North Korea
NORTHERN LUCK	9061227	North Korea
ORIENT SHENYU	8671611	Unknown
ORIENTAL TREASURE	9115028	Unknown
PAEK YANG SAN	9020534	North Korea
PETREL 8	9562233	Unknown
PHO PHYONG	8417962	North Korea
RICH GLORY	8649905	Sierra Leone
RYON HWA 2	8415433	North Korea
RYON HWA 3	8312227	North Korea
SEA STAR 3	8319005	North Korea
SO BAEK SAN	8658267	North Korea
SU SONG	9024889	North Korea
TAE YANG	8306929	North Korea
TALENT ACE	9485617	Unknown
THAE PHYONG SAN	9009085	North Korea
THAE SONG	8748713	North Korea
TONG SAN 2	8937675	North Korea
UN BONG 2	8913186	North Korea
XIN GUANG HAI	9004700	Unknown

Mr. YOHO. And we are going to get a copy of that, and we will look at that. And then, we will follow through on the recommendations we have already heard. I thought Mr. Connolly's idea of looking at the insurance companies is a great way to do this. And we look forward to working together in a bipartisan manner.

Mr. SHERMAN [presiding]. Thank you.

Mr. YOHO. And with that, I yield back, and thank you.

Mr. SHERMAN. We now have the most comprehensive sanctions on North Korea that we have ever had, but the ones we used to have were not effective and the ones we have now are not effective enough to get the North Koreans to take a good, a fair bargaining position. Sanctions are hard because those governments that deserve to be sanctioned are the very governments that do not care if you reduce their GDP by 5 percentage points. Any administration that hurt our economy for anything but the best possible reasons would be voted out of office. That is not a risk that Chairman Kim faces.

This body has—and I mean the Foreign Affairs Committee has—been troubled by the administration's lack of transparency to Congress in withholding information on the diplomatic negotiation process with Pyongyang and intelligence related to North Korea's weapons systems.

Have you and the panel encountered challenges in working with the State Department in getting information for your report draft?

Mr. GRIFFITHS. The main thing for the panel is we operate to a very high standard of evidence, and you will see that in the report. We try to make everything court-admissible. Everybody on the panel knows who our sources are, even if we do not say publicly.

So, we would be very appreciative of more imaging on ship-to-ship transfers from everyone. And you can see in the report that we have not had imagery for quite a long time on ship-to-ship transfers, or it has been quite limited. The imagery is the most important thing. Ships are big. If you get the images, then you can drill down. Then, you can find out the brokers involved, their bank accounts, trace back to the North Korean brokers.

So, it is critical to get the ship-to-ship imagery as the starting point, and then, you can take that to the flag States, all of these flags of convenience who do not monitor the very ships that sail under their jurisdiction, and hold them to account. Unfortunately, the panel does not have the kind of assets that allow us to get close-up imagery of these ships.

Mr. SHERMAN. Has the United States and the State Department given you many images over the last year or two?

Mr. GRIFFITHS. Well, I am an investigator, so I would always like more. We could certainly do with more. There are a whole range of—

Mr. SHERMAN. We will do whatever we can to hold the State Department accountable—

Mr. GRIFFITHS. Thank you.

Mr. SHERMAN [continuing]. For its decision not to give you more, since this report, the whole purpose is sanctions implementation, and the United Nations is critical to that.

There are a number or at least one African State that has North Korean security personnel. That seems to be one of the things that

the North Korean government exports, is cadres of thugs, armed men, whatever. Which States are those operating in now?

Mr. GRIFFITHS. Well, in our latest report, the panel noted issues arising from Angola, not Angola. My apologies. Angola are in the clear right now. Uganda.

Mr. SHERMAN. Yes, I believe that was featured in The Wall Street Journal.

Mr. GRIFFITHS. Yes, sir. Some troubling things going on there.

On finance, we have real concerns about Libya. There were attempted sales to Libya through a Syrian intermediary named Hussein al-Ali who was working on behalf of the North Koreans. We have had no answers back from the Libyan authorities on this, either.

We hear troubling rumors about Namibia once again. We have had no response from Tanzania on a variety of military activities, military services, that North Korea certainly was providing.

Mr. SHERMAN. If you could bring to the attention of the committee those countries where you have asked a specific question and not gotten an answer, we can amplify your request and inquire of their Ambassador here as to why this U.N. request for information has not been granted. And so, I would ask you to furnish for the record a list of specific unanswered questions and who you asked them to. And I cannot guarantee anything, but we can certainly push people to answer those questions that are still relevant. So, please, just provide those questions that you have asked that are relevant to your operation and have not been answered.

[The information referred to follows:]

Congressman Brad Sherman

Information for the Record

House Subcommittee on Asia, the Pacific, and Nonproliferation Hearing: “Making Sanctions Effective: The Case of North Korea”

March 27, 2019

Final Report to the UN Security Council from the Panel of Experts on North Korea

<https://documents-dds-ny.un.org/doc/UNDOC/GEN/N19/028/82/PDF/N1902882.pdf?OpenElement>

“Member States, United Nations agencies and humanitarian organizations have expressed concern that despite the exemption provisions in the resolutions and the Committee’s efforts, United Nations agencies and humanitarian organizations continue to experience difficulties in meeting critical life-saving needs of vulnerable populations in the Democratic People’s Republic of Korea.

The present report offers a series of recommendations for designation and other practical measures to assist Member States and the Security Council in addressing implementation challenges and shortcomings.”

Mr. SHERMAN. China has four of the largest banks in the world by assets, the Industrial and Commercial Bank of China, the China Construction Bank, the Agricultural Bank of China, and simply the Bank of China. So, those are the big four in China.

Have any of these four, directly or indirectly, through front companies or directly, helped facilitate North Korea's access to the international financial system?

Mr. GRIFFITHS. Well, in our report we talk about global banks, and that is big banks, but it does not matter their nationality. Actually, if you drill down—

Mr. SHERMAN. Do you name the particular global banks that are assisting North Korea?

Mr. GRIFFITHS. Well, it is more complicated than that because we find that they are unwitting. I mean, we do not have the kind of—

Mr. SHERMAN. Unwitting, but negligent? Or unwitting and deceived by such brilliant deception that we cannot blame them for being deceived?

Mr. GRIFFITHS. In one case, I was dealing with—I think they can put measures that we recommend in our recommendations, which are in my testimony, at least for ship-to-ship transfers, that global banks can easily insert a clause, which is basically a box tick, that will force all the oil companies, all the global commodity trading companies who are leveraged with loans and financial credit instruments to buy and sell the fuel—the banks can introduce something to force their clients to undertake more measures. So, that is a suggested measure.

Mr. SHERMAN. Do you have the proposed language that should be in the contract?

Mr. GRIFFITHS. We do not go that far because the—

Mr. SHERMAN. Well, I would ask you to supplement the record. Say, when we say we want this, this is what we want. Because this Congress could pass a law saying no bank can do business in the United States unless they put this in all their contracts. That would be an effective way to get it in all the contracts.

[The information referred to follows:]

Congressman Brad Sherman

Questions for the Record

House Subcommittee on Asia, the Pacific, and Nonproliferation Hearing: “Making Sanctions Effective: The Case of North Korea”

March 27, 2019

Question: Mr. Griffiths, please supplement the record, as indicated in the hearing, to indicate what would be effective banking language to include in contracts. . Do you have the proposed language that should be in the contract?

Answer:

Mr. Hugh Griffiths: All banks doing business in the United States and providing letters of credit, loans and other financial services to commodity traders and other companies engaging in free on board (FoB) contracts and other legal agreements that govern ship-to-ship (STS) transfers in the East China Sea, Yellow Sea, Sea of Japan and other East Asian Waters in the vicinity of or surrounding North Korea must:

- insert clauses into all such letters of credit or framework agreements covering such financial services stating that the purchaser/seller commits to continuously monitor the automatic information systems (AIS) of all vessels involved in the STS transfers.
- that both the purchaser and seller be aware of the international maritime organization (IMO) number of all vessels to be involved in ship-to-ship transfers in East Asian waters pertaining to the letter of credit or financial service.
- that the seller and purchaser effectively screen the automatic information system (AIS) history of all such vessels as a matter of due diligence to ensure that no UN or US designated vessel is able to manipulate the AIS to present itself as another vessel or that any vessel under contract by any of the parties has a record of AIS switch off contrary to IMO and Safety of Life at Sea (SOLAS) requirements.
- investigate any apparent switch-off or manipulation of the AIS during the contract period covered by the letter of credit or financial instrument and upon discovery of any activities prohibited under UN Security Council resolutions 2375 (2017), 2394 (2017) and designations for assets freeze or port entry ban for individuals, entities or vessels following these resolutions, terminate all contracts and services.

Mr. SHERMAN. And let's see. There have been changes—it is one thing to announce sanctions. They are documents on a piece of paper and lawyers can read the fine print. But business people re-

spond not only to the fine print, but the atmospherics. That is the fine print; is it going to be enforced or are they just joking? Is it going to be enforced and tomorrow there is going to be even stricter sanctions? So, why plan a business deal today that is even legal because tomorrow it will be illegal versus, well, that is the sanction that exists today; it is time to plan a business deal because they will be waving that sanction tomorrow.

Has the Donald Trump rapprochement with Kim Jong-un as an individual, going from “Rocket Man” or “Little Rocket Man” to I think the word “love” was used or “love letter,” or something—has that change in atmospherics changed the attitude of China, Russia, and the big shipping companies to whether they really have to abide by the sanctions?

Mr. GRIFFITHS. So, love letters are not subject to sanctions, and therefore, the panel does not investigate that.

Mr. SHERMAN. No, what I am saying is, you are a company in China. You are a shipping company. You are a bank. And in 2017, you say, these are the written sanctions—

Mr. GRIFFITHS. Yes.

Mr. SHERMAN [continuing]. And, by God, America is really serious about it. They are angry at North Korea. They will be angry at anybody who violates the sanctions.

Mr. GRIFFITHS. OK. So, I can—

Mr. SHERMAN. And now, by late 2018, it is, gee whiz, a bromance here going. So, has the change in atmosphere between the two leaders changed the seriousness by which companies enforce the sanctions?

And I have gone over time.

Mr. GRIFFITHS. What I would point to is, in terms of our investigations, that is what I can speak to. During the Singapore and Hanoi summits and meetings elsewhere, I noticed that these armored Mercedes-Benz that the panel has been investigating for a long time were being driven around the streets of Singapore without car license plates, driven around the streets of Hanoi.

These are serious sanctions violations. I saw Chairman Kim showing off his new Rolls-Royce Phantom to Secretary of State Pompeo when Secretary of State Pompeo was in Pyongyang for negotiations. It is these kinds of activities by the North Koreans—and these Mercedes-Benz are actually important because they were illegally and clandestinely exported from the United States, from New Jersey, from Long Beach, by a Chinese businessman called George Ma, whose company Seajet was involved in illegal military equipment deliveries to the Republic of Congo.

Mr. SHERMAN. I am going to cut you off here.

Mr. GRIFFITHS. Yes.

Mr. SHERMAN. My colleagues have been very patient.

Mr. GRIFFITHS. My apologies.

Mr. SHERMAN. Well, one of them has been very patient; one of them has left the room. I am sure his patience will cause him to come back.

And my colleague is recognized.

Ms. SPANBERGER. Thank you, Mr. Chairman.

And thank you very much for being here today, sir. I would like to start by thanking you for acknowledging the sacrifice of your col-

leagues Michael and Zaida, and I hope that we will keep them in mind as we continue our conversations, and the incredible work of the U.N. individuals across the world.

My question refers to cyberattacks. The U.N. Panel of Experts' latest report outlines North Korea's use of cyberattacks against financial institutions and the exploitation of Bitcoin and other cryptocurrencies to illegally access and transfer funds. According to your report, this included cyberattacks not just against small banks or in countries with limited financial infrastructure, but also against commercial and financial entities here in the United States, in South Korea, Europe, and in other key U.S. partners, as well as against the SWIFT messaging system that most of the international banking community relies on to transfer money from one bank to another.

My concerns are twofold. First, how sophisticated are North Korea's offensive cyberattack capabilities, and what more can the U.S., the United Nations, member States as well, do to guard against these types of intrusions? And second, do you see any indications that North Korea might use these cyberattack capabilities to put international banking, the entire system itself or any of its components, at risk?

Mr. GRIFFITHS. Yes, I do, and the nearly 5 years I have worked on the panel causes me great concern regarding the security of the international banking system and the level of due diligence and various banks' genuine anti-money-laundering capacity. Thirteen point five million dollars were transferred from the Cosmos Bank via 28 countries in 14,000 simultaneous ATM withdrawals, 10,000 separate transactions over a weekend. So, the North Korean hacking of banks is not only sophisticated in terms of how they are breaching banking security software and systems, but they are also organizing small armies of people around the world to withdraw very quickly from ATM machines. This is extremely well organized.

Follow the money. With Chairman Kim at every level, if you follow the money, you will be able to address this problem more effectively.

Ms. SPANBERGER. And, sir, you mentioned that there were the simultaneous withdrawals coordinated across the world. Do you have an understanding of how it is that they find individuals or find the infrastructure to be able to create that type of offensive engagement of those simultaneous withdrawals?

Mr. GRIFFITHS. No, ma'am, I do not, but I think it is a very important area to pursue rapidly investigating that.

Ms. SPANBERGER. And do you have any indication of whether there might be other actors involved in those sorts of large-scale attacks and where those actors may be coming from? And when I say "actors," I mean non-North Korean individuals. Who else might be coordinating on behalf of these efforts?

Mr. GRIFFITHS. No, I do not. I will only note that the panel itself has been subject to multiple systemic hacking attempts, and we have put that in our report.

Ms. SPANBERGER. Excellent. Thank you very much.

My second question relates to human rights. According to the United Nations, 11 million people in North Korea are not getting enough nutritious food, clean drinking water, or access to basic

services like health and sanitation. Given the concern over the drop in domestic North Korean food production last year about 10 percent, it seems that the humanitarian aid is more important than ever to prevent widespread suffering.

My question for you is, how can we balance enforcing U.N. and U.S. sanctions with a humanitarian imperative to ensure that the people in North Korea do not suffer due to the misguided policies of their government? And do you have any recommendations for ensuring humanitarian assistance actually reaches the North Korean people?

Mr. GRIFFITHS. Yes, we do have recommendations for the humanitarian sector, and we have put them in our report, too, a bit of housekeeping on the U.N. exemption system which is now in effect. All I will say is this: that the humanitarian agencies, by coming to the Security Council, play the game. They ask for exemptions. The smugglers, they do not, and somehow they are able to import into North Korea very large Rolls-Royce Phantoms in shipping containers. And if they can bring in the Phantoms and Mercedes in shipping containers, that means they can import the smaller items for the nuclear and ballistic missile programs.

Ms. SPANBERGER. Yes.

Mr. GRIFFITHS. The humanitarian agencies are playing the game. But I would caution we should be careful with humanitarian discourse on North Korea because we see what the elite there is prioritizing in terms of imports, and it is not necessarily for the benefit of all these hungry people you are talking about.

Ms. SPANBERGER. Thank you, sir, for your time.

And I yield back.

Mr. SHERMAN. The gentleman from Michigan is recognized.

Mr. LEVIN. Thank you, Mr. Chairman.

And thanks so much, Mr. Griffiths, for coming in and testifying before us.

I wanted to explore a little bit further the humanitarian organizations and the situation there. In January, The Atlantic magazine reported that the State Department would relax certain restrictions on humanitarian assistance to North Korea in response to feedback that such constraints were hindering the delivery of lifesaving aid. Would you talk a little bit about what kind of humanitarian assistance is typically provided to the North Korean people? For example, I know that, globally, North Korea has among the highest rates of tuberculosis, which kills more people than any other infectious disease on the planet. Besides TB relief, would you describe the kind of aid that is typically delivered in North Korea?

Mr. GRIFFITHS. Well, I cannot really talk about the exemption notices themselves because they are submitted to the committee and confidential. But, broadly speaking, where the problems have been is with equipment rather than, say, food aid for hungry people. It is because the sanctions are quite comprehensive and the commodity codes are not always in alignment. So, you have had problems with things like importing nail clippers, items made of metal, things like that.

Yes, TB is a big issue in terms of what the humanitarian agencies want to do. And that is why the panel has recommended the

introduction of a so-called white list of goods that would be automatically subject to exemption to help facilitate this process.

Mr. LEVIN. Thank you.

So, The Atlantic also reported that the Trump administration's move to facilitate humanitarian aid, and I am quoting, "does not appear to apply to steps taken last year by the Treasury and Commerce Departments to tighten financial sanctions on North Korea, according to diplomatic sources. Those efforts, which include restrictions on banking transactions, have also impeded deliveries of humanitarian goods."

Is further U.S. action needed to ensure that these particular sanctions do not impede humanitarian assistance for the North Korean people? How do you strike that balance?

Mr. GRIFFITHS. Well, I think that is more a question for somebody from the member State, in this case the United States. I really focus on North Korean sanctions, sanctions evasion, and the policies of individual member States are really, where humanitarian aid is concerned, that is their business. It is not for me to say.

Mr. LEVIN. Right. Well, but you are here representing the Panel of Experts, right?

Mr. GRIFFITHS. Yes, sir, I am.

Mr. LEVIN. And the Panel of Experts' report made numerous recommendations to remove some of the roadblocks to humanitarian assistance. So, I was wondering if you could explain how you came up with those recommendations. Did you consult with humanitarian aid organizations working with North Korea? That was really what I was wondering.

Mr. GRIFFITHS. Yes, sir, we did. A couple of my colleagues did that.

Mr. LEVIN. And so, how would you prioritize what we could do to reduce those roadblocks without taking the heat off of North Korea, which we very much do not want to do?

Mr. GRIFFITHS. Well, I think, if it is possible, the idea of—so, it is the U.N. Security Council 1718 Committee that is making, that is agreeing to these exemptions, and that is sometimes where the delay may occur. So, if I was to point to anything at all, it would be perhaps the creation of a white list. I am told such a thing is possible to do. That would give you a simplified list of goods, which could be automatically subject to some form of exemption, thus speeding up the process within the Security Council's 1718 Committee to clear the items.

And our other recommendation was that the U.N. more generally should look into this problem.

Mr. LEVIN. So, in other sanctions situations, white lists have existed, and in this situation there is no white list at all? Is that the situation right now?

Mr. GRIFFITHS. Well, most sanctions regimes are not nearly as comprehensive or complex. So, it is much easier in terms of an arms embargo to spell out, you know, flak jackets and bulletproof vehicles for civilians, for humanitarian aid use, for example, can be imported into, say, Libya or Yemen. It is much easier in those cases.

Here it is more difficult. Within the space of a year, a little more, you have had this absolute block on certain types of machinery

being imported, including trucks. All trucks are now prohibited from import to North Korea. Why? Because we have consistently seen the import of trucks for civilian purposes, such as forestry, and then, they convert these trucks, these eight-axle vehicles, into ballistic missile launchers. You will find it in the panel's report.

So, one does have to be careful of what is imported. And you bring down all these measures, and then, there is a consequence because the humanitarian aid agencies, instead of paying bribes or trying to circumvent the measures like the North Koreans do, approach the U.N. in good faith to go about it the proper way. And that is why my colleagues came up with this white list idea, after consulting very thoroughly with the humanitarian aid, the U.N. agencies, and the NGO's, who are trying to do a good job in difficult circumstances.

Mr. LEVIN. Thank you very much. I yield back, Mr. Chairman.

Mr. SHERMAN. I will now recognize the ranking member.

Mr. YOHO. Thank you, Mr. Chairman.

And again, thank you for your diligence.

The report States that a member State informed the panel that the Islamic Republic of Iran was one of the two most lucrative markets for the DPRK military-related cooperation. What can you tell us about illicit activities between North Korea and Iran, especially trade in arms?

Mr. GRIFFITHS. Well, not much more than what we wrote right now. In the past, if you read past panel reports, you will see that United Nations Security Council designated individuals from KOMID, North Korea's principal ballistic missile and conventional military equipment trading and sales company, were based at the North Korean Embassy in Tehran. And so, I wrote Tehran many letters about this, 2015, 2016. And after Resolution 2270, when these North Koreans were designated, these North Korean diplomats were designated by the Security Council, Iran eventually expelled them.

Unfortunately, what we were told by a member State that provides very reliable information to the panel, and often shows us documentation, is that, since 2016, both Green Pine, another major North Korean conventional arms military supplier—sells submarines, military patrol boats, small arms, light weapons, across the Middle East—both Green Pine and KOMID were back in North Korea—sorry—were back in Iran and were providing North Korean, Iran was providing North Korea with one of its two most lucrative markets, the other being Syria.

Mr. YOHO. I was going to ask you about Syria. What are the most concerning types of defense cooperations and arms trade between North Korea and Syria? Is it small arms? Is it ballistics or?

Mr. GRIFFITHS. In 2017–2018, it seemed to be ballistic missiles. We had had reports from member States. We went to visit interdicted goods, container shipments, around the Mediterranean that had been stopped from going to Syria. The bills of lading clearly said Syria Scientific, the SSRC, the Scientific Studies and Research Center, which is responsible for Syria's ballistic missile and chemical weapons development program. And these sites were later bombed by other member States after our report had been submitted.

Mr. YOHO. Well, I was going to ask you about that. Has the panel uncovered any evidence indicating North Korean involvement in Syria's chemical weapons program?

Mr. GRIFFITHS. We have not got direct evidence of their involvement in Syria's chemical weapons program, but, as we highlight in our reports, there were things like acid-resistant tiles, huge quantities of them—

Mr. YOHO. Wow.

Mr. GRIFFITHS [continuing]. That were intersected by various member States. We inspected them. These acid-resistant tiles, you could build a laboratory from them or you could use them for a facility for ballistic missiles, because ballistic fuel is also highly corrosive.

But the level and intensity of North Korean military technicians and ballistic missile technicians and surface-to-air missile technicians visiting Damascus over the past few years, you will see it in our reports. We list their names, their passport numbers, who they met with, and where they stayed. And it is interesting reading. It takes me a long time to explain it, but it is all there in black and white in the report.

Mr. YOHO. I believe we are going to read that report and follow through on it.

I am out of questions. Mr. Griffiths, I appreciate your diligence, your service, and I look forward to, hopefully, bringing these sanctions to where they really bring an end to this problem.

Thank you, Mr. Chairman. I yield back.

Mr. SHERMAN. I will have a question or two, and then, I will have you make the concluding part of your opening statement.

North Korea exports coal. It gets hard currency. But at least the coal does not do any extreme damage. Obviously, it is a greenhouse gas-producing fossil fuel. But when it exports weapons of mass destruction or relevant technologies, that is a bigger problem.

In September 2007, the Israelis bombed Al Kibar, a nuclear weapons development site in Syria that appears to be almost entirely North Korean technology. What are the examples of North Korea exporting over the last 10 years weapons of mass destruction and technologies relevant to creation of weapons of mass destruction, especially nuclear, but also bio and chemical?

Mr. GRIFFITHS. Well, on bio, I have to say that the most recent thing the panel has been looking at is this assassination at Kuala Lumpur Airport—

Mr. SHERMAN. Oh, yes.

Mr. GRIFFITHS [continuing]. Involving VX and the half-brother of Chairman Kim.

Mr. SHERMAN. That is well-known and I guess only technically constitutes an export. But the potency of that chemical has been demonstrated. Are they exporting that chemical for cash anywhere around the world?

Mr. GRIFFITHS. We have no knowledge of that, sir. It is not in our report.

Mr. SHERMAN. And what about the export of either fissile material or the technology to create fissile material?

Mr. GRIFFITHS. We have nothing in our reports on that. What we have is evidence of North Korean procurement of technology for

fissile development and evidence of North Korea exporting dual-use goods to other States in the region, but nothing relating to a nascent nuclear program. We have no evidence of that, but, then, the panel does not get so much from member——

Mr. SHERMAN. When it comes to material useful for creating fissile material, North Korea is an importer, but not an exporter?

Mr. GRIFFITHS. That is what we——

Mr. SHERMAN. As far as we know?

Mr. GRIFFITHS. As far as the panel knows, that is correct, sir, yes.

Mr. SHERMAN. Thank you.

Well, at this point, I would like to hear whatever portions of your opening statement we have not elicited through questioning.

Mr. GRIFFITHS. Well, I will try not to send you to sleep and I will keep it short.

But the main area is the sea, international waters, where nothing is really being monitored except when there are surveillance aircraft or satellites or other aerial assets in place. And that is because these flag-of-convenience States, they do not monitor the vessels that sail under their jurisdiction. Many of the petroleum companies that are transferring the product, they do not monitor, either. Neither do the insurers; neither do the operators of the vessel, the charterers, the owners.

And if you take the time to read the——

Mr. SHERMAN. If I can interrupt you?

Mr. GRIFFITHS. Yes.

Mr. SHERMAN. What if we provided that, if you had insurance for your ship, but you deliberately turned off the AIS, the automatic identification system, the insurance was void?

Mr. GRIFFITHS. That, sir, sounds like an eminently sensible suggestion.

Mr. SHERMAN. And another contract provision that we could require be included, obviously, only if it was done intentionally for the purpose of evading sanctions. But what that would mean is, you pay money for insurance, and then, the captain of your ship turns this off, and there is some evidence that it is to evade sanctions. And you happen to be located only a few hundred miles off the shores of North Korea. Now you do not have insurance. That is another thing that we would want to explore.

Why do not you continue?

Mr. GRIFFITHS. Yes, and the other issue is that North Korea is really systemically violating the U.N. Convention on the Laws of the Sea and IMO regulations. And neither the IMO regulations, the Safety of Life at Sea, SOLAS, all the UNCLOS, were ever devised with this kind of situation in mind where vessels could be hijacked and, then, provided with the North Korean flag and safe harbor, and just operate between North Korea and international waters to transfer fuel.

So, North Korean ships often carry North Korean papers, but also Sierra Leone, or another flag-of-convenience papers. You see this in the case of the Wise Honest. That is a very interesting case in our report where a North Korean ship delivering coal sails to Indonesia with its AIS switched off. Coal is worth \$3 million, accord-

ing to the contract. The idea is to transship it, call it "Russian coal" or something, and then, sell it to a company in South Korea.

Mr. SHERMAN. So, the coal has to be transported all the way to Indonesia, and then, comes back to South Korea—

Mr. GRIFFITHS. Yes, sir.

Mr. SHERMAN [continuing]. Labeled "Russian coal"? And the dead giveaway in this is, if you have a ship transporting, quote, "Russian coal" to South Korea from Indonesia—oh, I guess if that was produced, shipped out of European Russia, that would make sense. But if it shipped out of the Russian Pacific—and I do not know where this coal is purportedly coming from—the fact that it is coming from Indonesia shows that something is fishy.

I mean, when they purport that this is Russian coal, are they basically claiming that this is coal being shipped out of Russian ports on the Atlantic or on the Pacific?

Mr. GRIFFITHS. So, there was no documentation provided to us. What we can tell you, and it is worth noting, is that the whole deal was organized by, facilitated by North Korean diplomats in Indonesia, and there are all these North Korean bankers who are traveling around Indonesia, Vietnam, and China trying to facilitate these deals in a clandestine fashion by providing false paperwork.

The Wise Honest is currently seized and it is in Indonesian waters right now. But, somewhat shockingly, if you look in the panel's final report in the annexes, you will see that a U.S. bank was, I am sure unwittingly, involved in the payment system. And it happens to be the bank I use in New York.

So, it is a very good case study. The Wise Honest, it is a fantastic name for a vessel involved in prohibited and illegal activities. But you will really get a sense of how the North Koreans are doing this and the relatively simple measures that could be taken to stop them earning this illegal income.

Mr. SHERMAN. I am going to ask for a whole annex of—because I know you have not created a wish list. But what clause—and, you know, we can get lawyers to finetune this stuff—but what clause there should be in maritime insurance; what clause there should be in bank financing of ships; what else we can require of substantial companies that usually do business in the United States include in their documents.

I know I interrupted you. I do not know if you have a further portion of your concluding statement.

Mr. GRIFFITHS. Why is this problem with the Law of the Sea important? Why is it necessary to monitor vessels? Because it is not happening in so many different regions, and it is not just about North Korean sanctions. This is about narcotics trafficking. The same flags of convenience are used. Illegal and undocumented fishing. Also, transnational criminal groups use such vessels which are not being monitored by the flag States, to sail all these poor, economic migrants from African and Middle Eastern shores to Europe and other places. And these vessels are typically unsafe as well.

So, really it is a global issue. I think it is high time that there is more maritime governance on the high seas. Otherwise, Chairman Kim is going to have room for maneuver for some time to come. And it is just very important to follow the money. Maritime

transport is what makes a lot of it possible right now, that and the cyber issues.

Mr. SHERMAN. I want to thank you for delivering both an opening and closing statement, and, more importantly, answers to all of the subcommittee's questions. Thank you for your report, and thank you for reminding us of the perils and difficulties that you and observers and investigators face around the world. Thank you very much.

Mr. GRIFFITHS. Thank you, sir.

[Whereupon, at 11 a.m., the subcommittee was adjourned.]

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

Subcommittee on Asia, the Pacific, and Nonproliferation

Brad Sherman (D-CA), Chairman

March 27, 2019

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 by the Subcommittee on Asia, the Pacific, and Nonproliferation in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at <https://foreignaffairs.house.gov/>):

DATE: Wednesday, March 27, 2019

TIME: 9:30 a.m.

SUBJECT: Making Sanctions Effective: The Case of North Korea

WITNESSES: Mr. Hugh Griffiths
Coordinator of the UN Panel of Experts on North Korea

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.

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MINUTES OF SUBCOMMITTEE ON ~~ASIA, THE PACIFIC, AND NORTH AMERICA~~ HEARING

Day Wednesday Date March 27, 2019 Room 2172

Starting Time 9:38 AM Ending Time 11:00 AM

Recesses 0 (to) (to) (to) (to) (to) (to)

Presiding Member(s)
Congressman Brad Sherman

Check all of the following that apply:

Open Session Electronically Recorded (taped)
Executive (closed) Session Stenographic Record
Televised

TITLE OF HEARING:
Making Sanctions Effective: The Case of North Korea

SUBCOMMITTEE MEMBERS PRESENT:
Attendance form attached.

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*
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.)*
IFR- Sherman
QFR- Sherman

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED 11:00 AM


Subcommittee Staff Associate

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