

House Foreign Affairs Committee
Subcommittee on Oversight and Accountability

Examining U.S. Sanctions Policy, Implementation, and Enforcement

ANTHONY RUGGIERO

Nonproliferation and Biodefense Program
Senior Director and Senior Fellow
Foundation for Defense of Democracies

Washington, DC
March 29, 2023

Introduction

Chairman Mast, Ranking Member Crow, and distinguished members of this subcommittee, thank you for the opportunity to address you today on this important issue.

My testimony will review the axis of sanctions evasion where North Korea, Russia, China, Iran, and Syria work together to undermine U.S. sanctions policy. In many ways, China and Russia lead this new axis, the former serving as a shopping market for illicit items and financing and the latter in service of its war in Ukraine. In each instance, the overall goal is to disrupt the preeminence of the U.S. dollar and America's foreign policy and national security.

This coalition is occasionally aided by companies, individuals, and banks located in U.S. allies and partners. In some instances, these persons are unwittingly involved in sanctions evasion, since North Korea, Russia, China, Iran, and Syria are experts in obscuring the nature of their transactions. In other instances, companies, banks, or individuals are willing participants.

The good news is that the United States has a range of available tools to address these challenges. Senior officials from the Treasury, State, and Commerce Departments engage with other government officials and the private sector on the dangers of aiding this coalition. The Biden administration benefits from the bipartisan nature of sanctions and export controls enforcement and implementation. A whole-of-government approach is necessary as the United States extends the use of sanctions across a range of jurisdictions, entities, and individuals. Congress can provide additional resources and authorities to expose and target sanctions evaders.

Recommendations

1. *Extend anti-money laundering requirements to sanctions evasion enablers:* Some American lawyers, accountants, and financial advisors aid corrupt actors and sanctions evaders through a loophole in anti-money laundering requirements. Banks cannot facilitate these activities, but the enablers provide a mechanism for sanctions evaders to undermine the sanctions regime. Congress has considered legislation that would close this loophole when American lawyers, accountants, and financial advisors manage or advise on assets or form new trusts or companies. Extending these requirements will not disrupt their business. In fact, it will ensure that they are not participating in an evasion scheme designed to undermine U.S. national security.¹
2. *Mandate a comprehensive review of sanctions implementation and enforcement:* Congress can play a unique role in discussions regarding sanctions resourcing as administrations, regardless of their party affiliation, are mired in the day-to-day management of myriad sanctions and export control programs. Sanctions programs have

¹ Elaine Dezenski and Tyler Stapleton, "How American Lawyers and Accountants Help Fuel the War in Ukraine," *The National Interest*, August 30, 2022. (<https://nationalinterest.org/blog/buzz/how-american-lawyers-and-accountants-help-fuel-war-ukraine-204473>); U.S. Financial Crimes Enforcement Network, "FinCEN Alert on Potential U.S. Commercial Real Estate Investments by Sanctioned Russian Elites, Oligarchs, and Their Proxies," January 25, 2023. (https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Real%20Estate%20FINAL%20508_1-25-23%20FINAL%20FINAL.pdf)

expanded beyond the traditional purview of the Departments of the Treasury and State's main role in drafting and implementing sanctions programs. The renewed emphasis on export controls has brought the Commerce Department into the effort along with the Departments of Energy and Defense. The Justice Department and other departments and agencies play a crucial role. All may be under-resourced to manage the growing flow of sensitive commodities and detect and prevent illicit exports. A comprehensive review within 180 days should focus on capabilities and infrastructure within these departments and agencies as well as the White House, specifically the National Security Council, to ensure that the United States, the world's preeminent sanctions authority, is properly resourced now and in the future.

North Korea

America's North Korea policy has been a bipartisan failure for nearly 30 years. Republican and Democratic presidents have failed to convince three generations of North Korean leaders to abandon their nuclear weapons and ballistic missile programs. Limited nuclear deals have not stopped or rolled back Pyongyang's nuclear program. U.S. sanctions on the Kim Jong Un regime have atrophied since former President Trump pursued summit level diplomacy in 2018.

Kim is testing the limits of his American adversary just as Kim Il Sung, his grandfather and founder of North Korea, and Kim Jong Il, his father, once did. Kim Jong Un has launched at least nine intercontinental ballistic missiles since the beginning of 2022.² Last year, the Kim regime conducted the most ballistic missile launches in a single year.³

Successive administrations since 2005 have used various executive orders to issue sanctions against North Korean banks, entities, and individuals as well as third parties who are aiding Pyongyang's sanctions evasion.⁴ Congress passed three North Korea sanctions laws in 2016, 2017, and 2018, respectively, with overwhelming bipartisan majorities.⁵ While Congress has

² U.S. Mission to the United Nations, Press Release, "Joint Statement Delivered by Ambassador Linda Thomas-Greenfield at the UN Security Council Stakeout on the Democratic People's Republic of Korea's Ballistic Missile Launches," February 20, 2023. (<https://usun.usmission.gov/joint-statement-delivered-by-ambassador-linda-thomas-greenfield-at-the-un-security-council-stakeout-on-the-dprks-ballistic-missile-launches>)

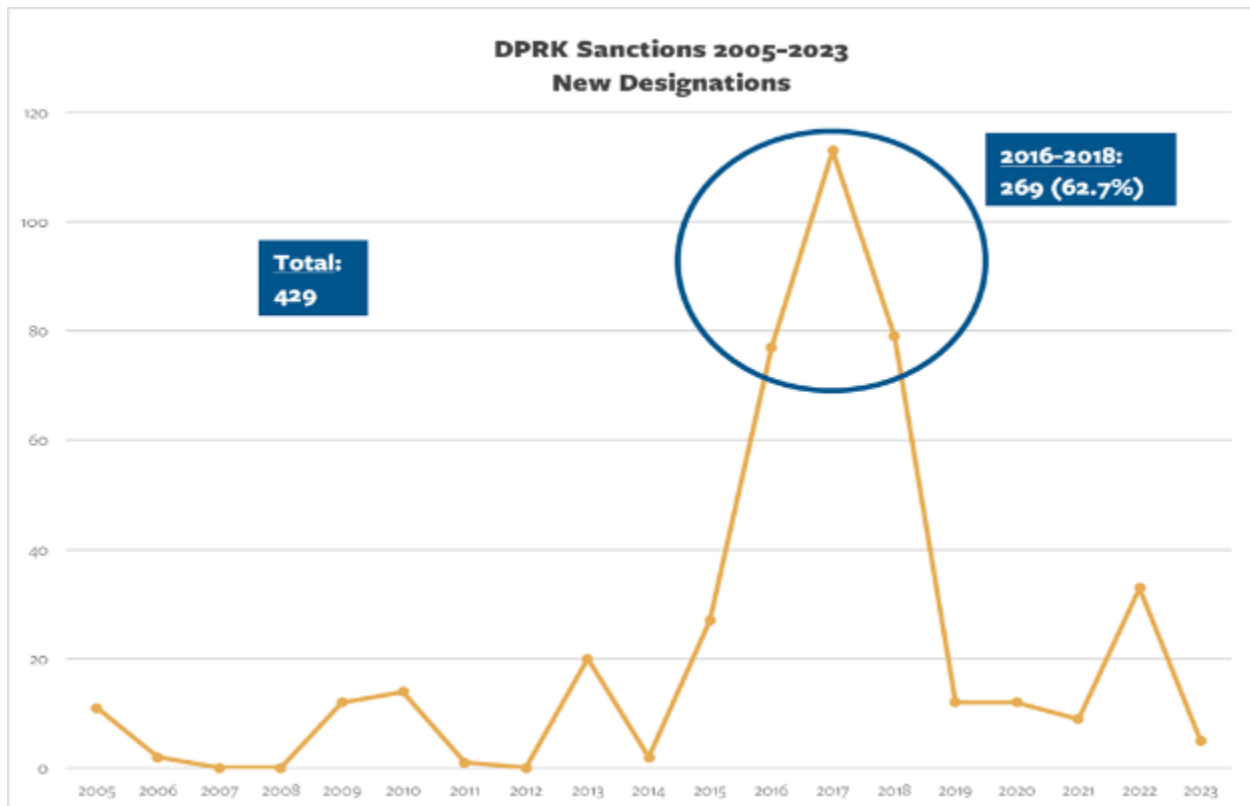
³ Carlotta Dotto, Brad Lendon, and Jessie Yeung, "North Korea's record year of missile testing is putting the world on edge," *CNN*, December 26, 2022. (<https://www.cnn.com/2022/12/26/asia/north-korea-missile-testing-year-end-intl-hnk/index.html>)

⁴ Executive Order 13382, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters," June 28, 2005. (<https://home.treasury.gov/system/files/126/whwmdeo.pdf>); Executive Order 13551, "Blocking Property of Certain Persons With Respect to North Korea," August 30, 2010. (<https://home.treasury.gov/system/files/126/13551.pdf>); Executive Order 13570, "Prohibiting Certain Transactions With Respect to North Korea," April 18, 2011. (https://home.treasury.gov/system/files/126/04182011_nk_eo.pdf); Executive Order 13687, "Imposing Additional Sanctions With Respect To North Korea," January 2, 2015. (<https://home.treasury.gov/system/files/126/13687.pdf>); Executive Order 13722, "Blocking Property of the Government of North Korea and the Workers' Party of Korea, and Prohibiting Certain Transactions With Respect to North Korea," March 15, 2016. (https://home.treasury.gov/system/files/126/nk_eo_20160316.pdf); Executive Order 13810, "Imposing Additional Sanctions With Respect to North Korea," September 20, 2017. (<https://home.treasury.gov/system/files/126/13810.pdf>)

⁵ North Korea Sanctions and Policy Enhancement Act of 2016, Pub. L. 114-122, 130 Stat. 93, 22 U.S.C. §9201. (<https://home.treasury.gov/system/files/126/114publ122.pdf>); Korean Interdiction and Modernization of Sanctions Act, Pub. L. 115-44, 131 Stat. 886, 22 U.S.C. §9401. (<https://congress.gov/115/plaws/publ44/PLAW->

spoken with one voice on this issue, the oversight of these laws has been mixed at best. Three successive administrations have not robustly implemented the mandatory sanctions included in these laws.

A quantitative and qualitative review of U.S. sanctions clearly shows that economic pressure on North Korea has declined since 2018. A review of all the Treasury and State Departments’ new North Korea blocking designations imposed on banks, entities, and individuals since 2005 (see graphic 1) shows that the U.S. has not pursued a robust sanctions policy except for 2016-2018, when 62.7 percent of 429 new designations occurred.⁶ This period highlights a bipartisan approach taken in the final year of Barack Obama’s presidency and the first two years of the Trump administration.

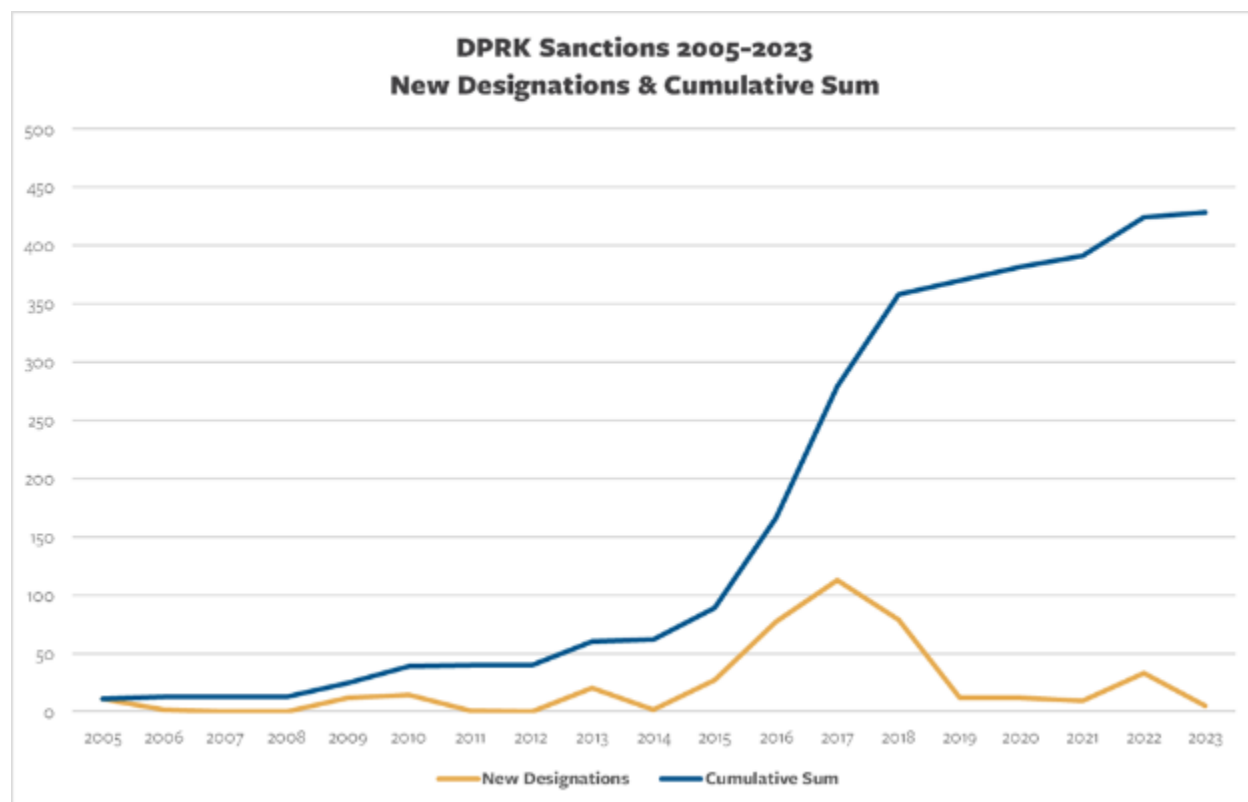


[115publ44.pdf](#)); Otto Warmbier North Korea Nuclear Sanctions and Enforcement Act of 2019, Pub. L. 116-92, 133 Stat. 2243, 22. U.S.C. §9201.

(https://home.treasury.gov/system/files/126/c116s1790_northkorea_otto_warmbier_act.pdf)

⁶ The review of sanctions included those entities and individuals listed on the U.S. Department of the Treasury’s Office of Foreign Assets Control Specially Designated Nationals list. “Sanctions List Search,” *U.S. Department of the Treasury*, accessed March 1, 2023. (<https://sanctionssearch.ofac.treas.gov>)

The trendline is also evident by comparing new designations and the cumulative sum of designations (see graphic 2).



The Obama and Trump administrations also dispelled another myth. The U.S. can sanction Chinese banks, companies, and individuals for aiding Pyongyang’s sanctions evasion. Treasury and Justice Department actions showed that from 2009 to 2017, North Korea used Chinese banks to process more than \$1.3 billion in transactions through the U.S. financial system.⁷ The U.S. actions did not create a global recession. In fact, they forced China to choose between helping North Korea or retaining access to the U.S. financial system. China thus started to crack down on Pyongyang’s activities.

Unfortunately, the United States has not sanctioned Beijing for its current role in Pyongyang’s sanctions evasion. On November 8, 2022, Treasury sanctioned two North Korean individuals in China for acting on behalf of Air Koryo, North Korea’s national flag carrier. The Treasury

⁷ U.S. Department of the Treasury, Press Release, “Treasury Imposes Sanctions on Supporters of North Korea’s Weapons of Mass Destruction Proliferation,” September 26, 2016. (<https://home.treasury.gov/news/press-releases/j15059>); U.S. Department of Justice, Press Release, “Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea’s Nuclear Weapons and Ballistic Missile Programs,” September 26, 2016. (<https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us>); *United States of America v. Funds Associated with Mingzheng International Trading Limited*, No. 1:17-cv-01166-KBJ (D.D.C. June 14, 2017). (<https://www.courtsenews.com/wp-content/uploads/2017/06/Mingheng.pdf>)

Department noted that one person used a Beijing-based company that Washington had not sanctioned. Both individuals likely used networks in China that were not sanctioned.⁸

On January 20, 2023, the White House said that in mid-November 2022, North Korea delivered infantry rockets and missiles to Russia for use by the U.S.-sanctioned Wagner Group, a private Russian military company that fights on behalf of Moscow in Ukraine. The administration said that Wagner will “continue to receive North Korean weapons systems.” In the two months since the White House press conference on the issue and in the four months since those transfers occurred, the United States has not sanctioned Pyongyang for its role in Putin’s war in Ukraine.

Recommendations

3. *Develop a comprehensive strategy to disrupt North Korea’s revenue generation:* Kim’s decision to export arms and related materiel to Russia shows that U.S. sanctions are not targeting the sources of Kim’s revenue. This would be the lowest of low-hanging fruit in the allied effort to support Ukraine. It would have the added benefit of forcing Kim to choose among his strategic priorities: the nuclear weapons and ballistic missile programs, North Korean elites, and the military.
4. *Sanction Chinese banks, individuals, and companies involved in Pyongyang’s sanctions evasion:* Last year, the Biden administration noted that 20,000 to 100,000 North Korean overseas laborers were in China.⁹ United Nations (UN) Security Council sanctions mandated the repatriation of all North Korean overseas workers by December 2019.¹⁰ Further, the administration stated that the Kim regime earns hundreds of millions of dollars annually from the practice.¹¹
5. *Interdict North Korean vessels engaged in UN sanctions violations:* The UN Security Council prohibits export of North Korean coal, and a UN Panel of Experts has documented that North Korean vessels offload coal in China’s territorial waters.¹² The United States should issue a stark warning to China: If it does not curb these activities, then Washington will be forced to interdict vessels violating sanctions. America carries out such activities routinely in monitoring Iran’s compliance with UN sanctions on Yemen.¹³

⁸ U.S. Department of the Treasury, Press Release, “Treasury Designates DPRK Weapons Representatives,” November 8, 2022. (<https://home.treasury.gov/news/press-releases/jv1087>)

⁹ U.S. Department of State, “Trafficking in Persons Report,” July 2022. (https://www.state.gov/wp-content/uploads/2022/08/22-00757-TIP-REPORT_072822-inaccessible.pdf)

¹⁰ United Nations Security Council, Resolution 2397, December 22, 2017. (<https://home.treasury.gov/system/files/126/2397.pdf>)

¹¹ U.S. Departments of the Treasury, State, and Justice, “Guidance on the Democratic People’s Republic of Korea Information Technology Workers,” May 16, 2022. (https://home.treasury.gov/system/files/126/20220516_dprk_it_worker_advisory.pdf)

¹² United Nations Panel of Experts, “Midterm Report, S/2022/668,” September 7, 2022. (<https://documents-dds-ny.un.org/doc/UNDOC/GEN/N22/608/53/PDF/N2260853.pdf?OpenElement>)

¹³ Emily Mae Czachor, “U.S. military says huge Iranian weapons shipment destined for Yemen rebels seized in Gulf of Oman,” CBS News, February 2, 2023. (<https://www.cbsnews.com/news/iran-yemen-rebels-weapons-shipment-seized-us-naval-forces/>)

Russia

The Biden administration deserves credit for building a diplomatic and financial sanctions coalition to increase the costs on Moscow and its allies for the Ukraine war. My colleagues John Hardie and Peter Doran, in their forthcoming Russia sanctions monograph, provide additional ideas to squeeze Russia's economy and budget. They note that Russia's economy has contracted by about 3 percent of its gross domestic product in 2022, and the prospects for Russia's economy this year remain bleak. But Putin can fund his war machine based largely on oil exports.¹⁴

Russia received an estimated \$218 billion from oil exports last year, a 20 percent increase over 2021. The United States and its allies have focused on capping Russian maritime oil transfers, which represent 70-85 percent of exports.¹⁵ But the cap was set too high to be effective.

The administration also ruled out using secondary sanctions against countries that are not subject to the cap. Yet such secondary sanctions would extend the potential effectiveness of the measure by forcing U.S. partners to abide by them. Not surprisingly, U.S. partners have increased their imports of Russian oil during the war. According to the International Energy Agency, Turkey increased its imports from 0.2 million barrels a day (mb/d) in January 2022 to 0.5 mb/d a year later. And India increased its imports from 0.1 mb/d in January 2022 to 1.6 mb/d a year later.¹⁶

The Biden administration has also largely shied away from targeting Rosatom State Nuclear Energy Corporation, the Russian state-owned atomic company, even though the company is exporting materiel for China's nuclear weapons program and is complicit in Putin's dangerous actions at Ukraine's Zaporizhzhia nuclear power plant (ZNPP). Because of this immunity, the company in December 2022 said it has a 10-year portfolio of overseas orders worth \$200 billion and that this year's revenue would grow by 15 percent.¹⁷

Rosatom has boasted that it is actively working in 12 countries, including U.S. partners, and America itself continues to purchase nuclear-related commodities from Rosatom. The company's 2021 annual report highlighted record earnings of more than \$20 billion.¹⁸ The company can set prices and sell services below market costs. Because of the extensive infrastructure needed for reactor operations, Rosatom ensures it will maintain its market share.

¹⁴ Forthcoming FDD monograph.

¹⁵ Jan Strupczewski, "EU split on Russian oil price cap level, talks to resume Thursday" *Reuters*, November 23, 2022. (<https://www.reuters.com/business/energy/g7-looking-russian-oil-price-cap-65-70-per-barrel-eu-diplomat-2022-11-23>)

¹⁶ "Russian total oil exports, January 2022 - January 2023," *International Energy Agency*, February 22, 2023. (<https://www.iea.org/data-and-statistics/charts/russian-total-oil-exports-january-2022-january-2023>)

¹⁷ Andrea Stricker and Anthony Ruggiero, "Ending Global Reliance on Russia's Nuclear Energy Sector," *Foundation for Defense of Democracies*, February 3, 2023. (<https://www.fdd.org/analysis/2023/02/03/ending-global-reliance-on-russias-nuclear-energy-sector>)

¹⁸ "Встреча Михаила Мишустина с генеральным директором государственной корпорации «Росатом» Алексеем Лихачёвым [Mikhail Mishustin's Meeting with Director General of Rosatom State Corporation Alexei Likhachev]," *Government House*, February 4, 2021. (<http://government.ru/news/41456>); "Rosatom Highlights in 2021," *Rosatom Corporation*, January 2022. (<https://rosatomnewsletter.com/2022/01/31/rosatom-highlights-in-2021>); "Performance of State Atomic Energy Corporation Rosatom in 2021," *Rosatom Corporation*, accessed March 24, 2023, pages 20-21. (https://www.report.rosatom.ru/go_eng/go_rosatom_eng_2021/rosatom_2021_eng.pdf)

A senior Department of Defense official recently highlighted the dangers of shielding Rosatom from sanctions. In December, Rosatom engineers delivered an enriched uranium fuel load to a Chinese nuclear reactor that will produce large amounts of weapons-grade plutonium that Beijing will likely use to expand its nuclear arsenal.¹⁹ John F. Plumb, assistant secretary of defense for space policy, recently told the House Armed Services Subcommittee on Strategic Forces that the cooperation was “very troubling.” He explained further, “There’s no getting around the fact that breeder reactors are plutonium, and plutonium is for weapons.” The Defense Department highlighted Plumb’s testimony in a press release.²⁰

Ukraine has called for sanctions against Rosatom and imposed its own sanctions against the company. After Russian military forces seized Ukraine’s ZNPP, they installed Rosatom officials to oversee operations. Russia has shelled the nuclear facility, engaged in dangerous actions that jeopardize nuclear safety at the plant, and terrorized and committed atrocities against ZNPP staff. Rosatom’s complicity in these actions calls into question the company’s commitment to nuclear safety and security.²¹

Recommendations

6. *Replace oil sanctions cap with Iran-style oil sanctions:* The administration should work with Congress to replicate the most effective part of the Iran sanctions by preventing Putin from profiting from Russian oil exports. The mechanism would require a significant reduction of Russian oil exports at millions of barrels per day, a number the administration can adjust to minimize supply shocks. Congress could require that any oil-related revenue must remain in escrow in the purchasing jurisdiction and be frozen until such time that Russia returns Ukraine’s territory to its pre-2014 borders. The administration may have to sanction banks, companies, and individuals, including in allied and partner countries, that violate these sanctions. But most banks will ensure compliance with these sanctions for fear of losing access to the U.S. financial system.
7. *Sanction Rosatom with wind-down periods:* The administration should sanction Rosatom under Executive Order 14024, “Blocking Property With Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation,” which the president signed in April 2021. The sanctions should include specific wind-down periods to allow the United States and its allies to identify alternative suppliers. The wind-down period for reactor construction could be anywhere from six to 12 months. The sanctions should also apply to other Rosatom-related transactions, specifically to the purchase of new reactor

¹⁹ Anthony Ruggiero and Andrea Stricker, “Russia Is Fueling China’s Nuclear Weapons Expansion,” *Foundation for Defense of Democracies*, March 13, 2023. (<https://www.fdd.org/analysis/2023/03/13/russia-fueling-china-nuclear-weapons-expansion>)

²⁰ David Vergun, “Russia Reportedly Supplying Enriched Uranium to China,” *U.S. Department of Defense*, March 8, 2023. (<https://www.defense.gov/News/News-Stories/Article/Article/3323381/russia-reportedly-supplying-enriched-uranium-to-china>)

²¹ Andrea Stricker and Anthony Ruggiero, “Ending Global Reliance on Russia’s Nuclear Energy Sector,” *Foundation for Defense of Democracies*, February 3, 2023. (<https://www.fdd.org/analysis/2023/02/03/ending-global-reliance-on-russias-nuclear-energy-sector>)

fuel and other services. These activities could have a longer wind-down period of one to four years since alternative providers may be difficult to identify.

8. *Congress should mandate a strategy to end reliance on Rosatom:* The administration may choose not to act on its own to address Rosatom’s continued revenue generation. Congress should therefore mandate the administration to develop a strategy within 180 days for a multi-year plan to help end U.S. and global reliance on Rosatom. This should also include a requirement for a determination of whether Rosatom qualifies for designation under the Countering America’s Adversaries through Sanctions Act or the International Emergency Economic Powers Act.

China

In February, the U.S. ambassador to the UN said that if China provided Russia with lethal military assistance, it would be “unacceptable” and cross a “red line.”²² *Politico* reported that Chinese companies have supplied rifles and other items that Russia could use on the battlefield.²³ Chinese companies sold more than \$12 million in drones and drone parts to Russia used in the Ukraine war.²⁴ Last week, Secretary of State Antony Blinken told the Senate that Beijing had not crossed the line of providing Russia lethal aid.²⁵ But last month Blinken emphasized that China’s nonlethal assistance “does go directly to aiding and abetting Russia’s war effort.”²⁶

The administration’s inconsistent messaging suggests it is unsure of how to address China’s role in the Ukraine war. While it is unclear if Chinese leadership is aware of — or perhaps even tacitly supports — Chinese companies providing lethal assistance to Russia, there is scant evidence to suggest the Chinese government intends to take any action to hold those firms accountable for potentially violating Western sanctions, let alone to prevent future lethal shipments from occurring. The administration should have adopted a zero-tolerance policy for any company, individual, or bank that provided assistance, regardless of whether it was lethal assistance or whether the government was aware. The administration missed an opportunity to deter China and its companies from escalating its involvement to lethal assistance.

China has also increased its import of Russian energy products that fund Putin’s war. According to the International Energy Agency, China increased its import of Russian oil from 1.7 mb/d in

²² Summer Concepcion, “U.S. ambassador to U.N. warns China would be crossing a ‘red line’ if it provides lethal aid to Russia,” NBC News, February 19, 2023. (<https://www.nbcnews.com/politics/politics-news/us-ambassador-un-warns-china-crossing-red-line-provides-lethal-aid-rus-rcna71392>)

²³ Erin Banco and Sarah Anne Aarup, “‘Hunting rifles’ — really? China ships assault weapons and body armor to Russia,” *Politico*, March 16, 2023. (<https://www.politico.eu/article/chinese-companies-are-shipping-rifles-body-armor-to-russia>)

²⁴ Paul Mozur, Aaron Krolik, and Keith Bradsher, “As War in Ukraine Grinds On, China Helps Refill Russian Drone Supplies,” *The New York Times*, March 21, 2023. (<https://www.nytimes.com/2023/03/21/business/russia-china-drones-ukraine-war.html>)

²⁵ Patricia Zengerle, Simon Lewis, and Humeyra Pamuk, “China watching world's response to Ukraine war, has not crossed lethal aid line – Blinken,” *Reuters*, March 22, 2023. (<https://www.reuters.com/world/china-watching-worlds-response-war-ukraine-blinken-2023-03-22>)

²⁶ Summer Concepcion, “U.S. ambassador to U.N. warns China would be crossing a ‘red line’ if it provides lethal aid to Russia,” NBC News, February 19, 2023. (<https://www.nbcnews.com/politics/politics-news/us-ambassador-un-warns-china-crossing-red-line-provides-lethal-aid-rus-rcna71392>)

January 2022 to 2.3 mb/d a year later.²⁷ China imported twice as much liquid petroleum gas from Russia in 2022 compared to the previous year. And Russia exported 50 percent more natural gas to China.²⁸

China is watching the allied response to Russia's invasion of Ukraine and developing lessons from the timing and breadth of sanctions as well as the timing and scope of military assistance. Beijing is monitoring whether the allied coalition remains united as the sanctions enter a second year and the implementation challenges increase.

Days before Russia's invasion began, U.S. officials were defending their decision to use the mere threat of sanctions to deter the invasion. A similar approach would likely fail to persuade Beijing. Thus, the Biden team or a future administration should develop an escalatory ladder of measures that Washington could impose on China. Rather than only issuing strongly worded statements, the United States should support them with strong measures that show its resolve to deter an invasion and its willingness to impose costs on China if Beijing moves forward.

Recommendations

9. *Sanction Chinese companies, individuals, and banks for aiding Russia's sanctions evasion:* Beijing has tried to play both sides of the war, urging negotiations while its companies and individuals provide materiel that Moscow can use on the battlefield. The administration missed an opportunity to pair strong rhetoric with decisive actions. It should correct that mistake and sanction anyone who aids Russia's sanctions evasion regardless of whether the Chinese government is complicit. If the administration does not act, Congress should compel sanctions determinations.
10. *Develop a China sanctions strategy:* The administration should take a clear-eyed look at the successes and failures of its Russia sanctions strategy. China is engaged in the same process and developing ways to circumvent current and future U.S. sanctions. As Chinese leader Xi Jinping contemplates invading Taiwan, the United States must determine whether it can build the same coalition against Beijing that is now opposing Putin's war. Europe will play a crucial role, but other countries, including Saudi Arabia, will be important for isolating Beijing. Xi knows this and it likely played a role in China's recent efforts to broker peace between Saudi Arabia and Iran. Just as the Biden administration has dedicated resources to the Ukraine war, it should focus on the current U.S.-China relationship and a potential Taiwan invasion.

Iran

Iran's nuclear advances accelerated in November 2020 following Biden's election. Just before Biden's inauguration, Tehran started enriching uranium to 20 percent purity, which represents 90 percent of the effort necessary to produce weapons-grade uranium. Less than a month into

²⁷ "Russian total oil exports, January 2022 - January 2023," *International Energy Agency*, February 22, 2023. (<https://www.iea.org/data-and-statistics/charts/russian-total-oil-exports-january-2022-january-2023>)

²⁸ "Ukraine war: What support is China giving Russia?" *BBC (UK)*, March 20, 2023. (<https://www.bbc.com/news/60571253>)

Biden's term, Tehran stopped implementing verification and monitoring measures, limiting the International Atomic Energy Agency's (IAEA's) insight into Iran's nuclear program. In April 2021, the Islamic Republic began enriching uranium to 60 percent, which is 99 percent of the effort needed for weapons-grade uranium.²⁹

The Islamic Republic has obstructed a four-year IAEA investigation into Iran's production of nuclear material at three sites. Tehran failed to declare these activities to the IAEA, as required by its safeguards agreement with the agency. While the investigation involves historical activities, Iran's failure to cooperate represents a current threat to the nuclear nonproliferation regime.

The IAEA director general told the IAEA's board of governors earlier this month that resolving the monitoring and safeguards issues is "required to provide assurance that Iran's nuclear programme [is] exclusively peaceful."³⁰

The White House explained in October 2022 that the Russian military has been piloting Iranian unmanned aerial vehicles (UAVs) for strikes against Ukraine, including in Kyiv. National Security Council Coordinator for Strategic Communications John Kirby emphasized, "Tehran is now directly engaged on the ground and through the provision of weapons that are impacting civilians and civilian infrastructure in Ukraine — in fact, that are killing civilians and destroying civilian infrastructure in Ukraine."³¹ In November, the administration sanctioned entities involved in the production and transfer of Iranian UAVs.³² In February, Treasury sanctioned the board of directors of an Iranian UAV manufacturer.³³

Tehran could also transfer short-range ballistic missiles to Russia but may wait until the Joint Comprehensive Plan of Action's (JCPOA's) Transition Day (October 18, 2023), when U.S. and European Union sanctions will be significantly weakened. At this time, the UN missile restrictions expire, and the deal requires the European Union to terminate the remaining proliferation-related sanctions, including those that target entities associated with Iran's nuclear and missile program.³⁴ Likewise, the accord obligates Washington to remove such entities from the U.S. sanctions list, and the administration must seek legislative authorization to terminate or

²⁹ Behnam Ben Taleblu and Andrea Stricker, "Exploiting America's Declining Pressure: Iran's Nuclear Escalation Over Time," *Foundation for Defense of Democracies*, March 9, 2023. (<https://www.fdd.org/analysis/2023/03/09/exploiting-americas-declining-pressure-irans-nuclear-escalation-over-time>)

³⁰ International Atomic Energy Agency, "NPT Safeguards Agreement with the Islamic Republic of Iran: Report by the Director General," March 4, 2023. (<https://www.iaea.org/sites/default/files/23/03/gov2023-9.pdf>)

³¹ The White House, Press Release, "On-the-Record Press Gaggle by NSC Coordinator for Strategic Communications John Kirby," October 20, 2022. (<https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/10/20/on-the-record-press-gaggle-by-nsc-coordinator-for-strategic-communications-john-kirby>)

³² U.S. Department of the Treasury, Press Release, "Treasury Targets Actors Involved in Production and Transfer of Iranian Unmanned Aerial Vehicles to Russia for Use in Ukraine," November 15, 2022. (<https://home.treasury.gov/news/press-releases/jy1104>)

³³ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Board of Directors of Iranian UAV Manufacturer," February 3, 2023. (<https://home.treasury.gov/news/press-releases/jy1246>)

³⁴ Behnam Ben Taleblu, "Arsenal: Assessing the Islamic Republic of Iran's Ballistic Missile Program," *Foundation for Defense of Democracies*, February 2023. (<https://www.fdd.org/wp-content/uploads/2023/02/fdd-monograph-arsenal-assessing-iran-ballistic-missile-program.pdf>)

modify nuclear-related sanctions.³⁵ These actions will provide sanctions relief to the Islamic Republic when it is on the doorstep of producing weapons-grade uranium.

Recommendations

11. *Snap back UN sanctions on Iran*: UN Security Council Resolution 2231, which implements the 2015 nuclear deal, allows JCPOA participants to snap back all UN sanctions after providing notice of Iran’s “significant non-performance of commitments under the JCPOA,” the nuclear deal involving Iran with which Tehran has not complied since May 2019.³⁶ China and Russia cannot use their vetoes to stop the snapback of these sanctions. The snapback would provide a reset of international sanctions pressure on Iran and prevent sanctions relief from facilitating the provision of additional funding and materiel to its regional proxies and Russia.
12. *Appoint a new White House coordinator for Iran sanctions implementation*: The administration should appoint a senior official of sufficient rank (deputy assistant to the president or higher) to coordinate all Iran sanctions activities. The new coordinator should work closely with the special representative for Iran to develop a sanctions strategy and ensure that the enforcement of Iran sanctions — including congressionally mandated sanctions and oil and petrochemical sanctions — proceeds across departments and agencies. The coordinator should also work to stymie Iran sanctions evasion networks that Russia could use.³⁷ If the administration does not appoint this new coordinator, Congress could mandate its creation.
13. *Implement FDD’s 230 additional recommendations for a new Iran policy*: In January, FDD published a monograph, “Strategy for a New Comprehensive U.S. Policy on Iran,” to assist the administration as it develops a “Plan B” to address Iranian threats, including sanctioning supply chains of Iran’s ballistic missile program and supporting the Iranian people through sanctions and asset freezes of senior Iranian officials.³⁸ The plan is modeled on the playbook President Ronald Reagan used to deter and degrade the Soviet Union. The strategy contains recommendations for major U.S. government agencies and

³⁵ United Nations Security Council Resolution 2231, July 20, 2015.

(<https://home.treasury.gov/system/files/126/2231.pdf>); Joint Comprehensive Plan of Action, Vienna, July 14, 2015, paragraphs C20 and C23. (http://eeas.europa.eu/statements-eeas/docs/iran_agreement/iran_joint-comprehensive-plan-of-action_en.pdf)

³⁶ United Nations Security Council Resolution 2231, July 20, 2015.

(<https://home.treasury.gov/system/files/126/2231.pdf>)

³⁷ Ian Talley, “Clandestine Finance System Helped Iran Withstand Sanctions Crush, Documents Show,” *The Wall Street Journal*, March 18, 2022. (<https://www.wsj.com/articles/clandestine-finance-system-helped-iran-withstand-sanctions-crush-documents-show-11647609741>)

³⁸ Mark Dubowitz and Orde Kittrie, “Strategy for a New Comprehensive U.S. Policy on Iran,” *Foundation for Defense of Democracies*, January 2023. (<https://www.fdd.org/wp-content/uploads/2023/01/fdd-monograph-strategy-for-a-new-comprehensive-u.s.-policy-on-iran.pdf>); Behnam Ben Taleblu, “Arsenal: Assessing the Islamic Republic of Iran’s Ballistic Missile Program,” *Foundation for Defense of Democracies*, February 2023.

(<https://www.fdd.org/wp-content/uploads/2023/02/fdd-monograph-arsenal-assessing-iran-ballistic-missile-program.pdf>); Saeed Ghasseminejad, Richard Goldberg, Tzvi Kahn, and Behnam Ben Taleblu, “Maximum Support for the Iranian People: A New Strategy,” *Foundation for Defense of Democracies*, October 30, 2022. (<https://www.fdd.org/wp-content/uploads/2022/10/fdd-memo-maximum-support-for-the-iranian-people.pdf>)

integrates all elements of American power to address the growing Iranian threat.³⁹ If the administration does not adopt these recommendations, Congress should require it.

Syria

The chair of the United Nations Commission of Inquiry on Syria told the UN Human Rights Council last week that 300,000 civilians were killed and many more injured during the country's 12-year civil war. The Assad regime's "arbitrary arrests and torture, enforced disappearances, and deaths in detention continue with appalling systematicity." The intensity of the fighting has diminished since the height of the civil war, but the Syrian government continues to kill and injure civilians while obstructing UN humanitarian operations and engaging in the wholesale theft of aid intended for the regime's victims.⁴⁰

In response to Assad's continuing atrocities and attacks on Syrian citizens, Congress passed the Caesar Syria Civilian Protection Act of 2019. The law gave the president new authorities that substantially increased his ability to impose costs on Assad and his supporters.⁴¹ From June 2020, when the Caesar law went into effect, through January 2021, the Trump administration designated over 100 individuals and entities that support the Assad regime, including top financiers and senior figures, such as Yasser Ibrahim and Asma al-Assad, wife of Bashar al-Assad.

By contrast, there has been a sharp decrease in the number and significance of Syria sanctions designations over the past two years. The total number of designations is only 19, and the administration has carefully avoided designating any targets of economic significance. This is no accident. The Biden administration is failing to faithfully enforce the law. In fact, the Biden team is undermining it. Last year, the chair and ranking member of the Senate Foreign Relations Committee (SFRC) expressed bipartisan disappointment with this administration's implementation efforts.⁴²

The administration is bending the law most flagrantly through its advocacy of Syrian participation in regional energy deals valued at \$550 million to \$600 million, of which Damascus would pocket \$40 million to \$50 million. The World Bank has yet to approve financing for these deals, so sanctions could prevent their implementation. Senior Biden administration officials

³⁹ Mark Dubowitz and Orde Kittrie, "Strategy for a New Comprehensive U.S. Policy on Iran," *Foundation for Defense of Democracies*, January 2023. (<https://www.fdd.org/wp-content/uploads/2023/01/fdd-monograph-strategy-for-a-new-comprehensive-u.s.-policy-on-iran.pdf>)

⁴⁰ Paulo Pinheiro, Statement by Paulo Pinheiro Chair of the Independent International Commission of Inquiry on the Syrian Arab Republic, *Statement before the 52nd Session of the UN Human Rights Council*, March 21, 2023. (<https://www.ohchr.org/en/statements/2023/03/statement-paulo-pinheiro-chair-independent-international-commission-inquiry>); David Adesnik, "A Strategy to End the Systematic Theft of Humanitarian Aid in Syria," *Foundation for Defense of Democracies*, March 15, 2023. (<https://www.fdd.org/analysis/2023/03/15/a-strategy-to-end-the-systematic-theft-of-humanitarian-aid-in-syria>)

⁴¹ Caesar Syria Civilian Protection Act of 2019, Pub. L. 116-92, 133 Stat. 2291, 74 U.S.C. §§7401-7438. (https://home.treasury.gov/system/files/126/caesar_act.pdf)

⁴² David Adesnik, "Across Party Lines, Senators Tell Biden to Get Tough on Assad," *Foundation for Defense of Democracies*, June 17, 2022. (<https://www.fdd.org/analysis/2022/06/17/across-party-lines-senators-tell-biden-to-get-tough-on-assad>); U.S. Department of State, Press Release, "Designation of Syrian Military Official," March 6, 2023. (<https://www.state.gov/designation-of-syrian-military-official>)

have adopted the view that the deals do not violate the Caesar law even though the Syrian regime would receive significant material support.⁴³ The president could issue a national security waiver to exempt the energy deals from Caesar sanctions, yet the White House is loath to admit there is any violation in the first place. By contrast, SFRC Ranking Member Jim Risch (R-ID) flatly called the energy deals a violation of the Caesar Act.⁴⁴

Following an earthquake on February 6 that devastated areas of Turkey and Syria, the administration issued a broad general license that allows a wide array of transactions involving Syria that were previously restricted or prohibited. General License 23 (GL23) goes further than previous exceptions for humanitarian aid and could allow the transfer of money or goods to the Syrian government if it is listed as being for earthquake relief. My FDD colleague, David Adesnik, has argued that GL23 is so broad it could allow the transfer of funds to the Syria Trust for Development, a charity controlled by Asma al-Assad.⁴⁵ If the administration had been faithfully implementing and enforcing Syria sanctions, the issuance of GL 23 would be less concerning. But it has not.

Recommendations

14. *Ensure full implementation of Syria sanctions:* Congress should conduct bipartisan oversight hearings to examine the administration's inadequate implementation of the Caesar law. Congress can also use a range of tools at its disposal to strengthen the Caesar Act sanctions, prevent any U.S. funding from being used to recognize or legitimize the Assad regime, and further leverage the appropriations process to ensure the administration effectively implements and enforces Syria sanctions.
15. *End American support for regional energy deals that benefit the Syrian regime:* The administration should withdraw its diplomatic support for the existing gas and electricity agreements. Congress should clarify, via both public statements and legislative language, that the deals constitute violations of the Caesar Act.
16. *Revoke or modify General License 23 and consider establishing a "white channel" for humanitarian relief efforts:* Congress should mandate that the administration either revoke General License 23 or place legislative guardrails on the administration's licensing authorities. The administration could also consider establishing a "white channel" of vetted nongovernmental organizations and UN agencies, along with banks and other financial institutions, that could receive funds and provide humanitarian assistance and goods. The scope and scale of the channel should be manageable, and it

⁴³ David Adesnik, "The White House Is Bending the Law on Syria Sanctions," *Foundation for Defense of Democracies*, May 12, 2022. (<https://www.fdd.org/analysis/2022/05/12/the-white-house-is-bending-the-law-on-syria-sanctions>)

⁴⁴ U.S. Senate Foreign Relations Committee, Press Release, "Ranking Member Risch Opening Statement at Hearing on U.S.-Syria Policy," June 8, 2022. (<https://www.foreign.senate.gov/press/rep/release/ranking-member-risch-opening-statement-at-hearing-on-us-syria-policy>)

⁴⁵ David Adesnik, "Biden's Earthquake Relief Policy Opens Door Wide to Syria Sanctions Evasion," *Foundation for Defense of Democracies*, February 14, 2022. (<https://www.fdd.org/analysis/2023/02/14/bidens-earthquake-relief-policy-opens-door-wide-to-syria-sanctions-evasion>)

would allow Treasury to ensure that the Syrian government is not siphoning off money and continuing the systemic theft of humanitarian aid in Syria.⁴⁶

Conclusion

The United States has expanded the use of sanctions as a crucial tool in its foreign policy. Congress should compel the Biden administration to sharpen its focus on the axis of sanctions evaders to ensure they do not undermine key foreign policy priorities.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me to testify.

⁴⁶ David Adesnik, “A Strategy to End the Systematic Theft of Humanitarian Aid in Syria,” *Foundation for Defense of Democracies*, March 15, 2023. (<https://www.fdd.org/analysis/2023/03/15/a-strategy-to-end-the-systematic-theft-of-humanitarian-aid-in-syria>)