

House Foreign Affairs Committee, Africa, Global Health, and Global Human Rights Subcommittee hearing Impact ..,sked FINAL

May 26, 2021 5:05PM ET

TRANSCRIPT

May 25, 2021

COMMITTEE HEARING

REP. KAREN BASS, D-CALIF.

HOUSE FOREIGN AFFAIRS COMMITTEE, AFRICA, GLOBAL HEALTH, AND GLOBAL

HUMAN RIGHTS SUBCOMMITTEE HEARING IMPACT OF SANCTIONS IN AFRICA

HOUSE FOREIGN AFFAIRS COMMITTEE, AFRICA, GLOBAL HEALTH, AND GLOBAL HUMAN RIGHTS SUBCOMMITTEE HEARING IMPACT OF SANCTIONS IN AFRICA

MAY 25, 2021

SPEAKERS:

REP. KAREN BASS, D-CALIF., CHAIR

REP. SUSAN WILD, D-PA.

REP. DEAN PHILLIPS, D-MINN.

REP. ILHAN OMAR, D-MINN.

REP. AMI BERA, D-CALIF.

REP. SARA JACOBS, D-CALIF.

REP. TOM MALINOWSKI, D-N.J.

REP. DAVID CICILLINE, D-R.I.

REP. GREGORY W. MEEKS, D-N.Y., EX OFFICIO

REP. CHRISTOPHER H. SMITH, R-N.J., RANKING MEMBER

REP. DARRELL ISSA, R-CALIF.

REP. GREGORY STEUBE, R-FLA.

REP. YOUNG KIM, R-CALIF.

REP. RONNY L. JACKSON, R-TEXAS

REP. DAN MEUSER, R-PA.

REP. MICHAEL MCCAUL, R-TEXAS, EX OFFICIO

WITNESSES:

MR. JOHN PRENDERGAST, CO-FOUNDER, THE SENTRY

MS. BRIDGET MOIX, U.S. SENIOR REPRESENTATIVE AND HEAD OF
ADVOCACY, PEACE DIRECT

MR. NOAH GOTTSCHALK, GLOBAL POLICY LEAD, OXFAM

BASS: (OFF-MIKE) implements successfully, influence regimes or groups to reverse harmful illicit behavior such as human rights abuses, corruption and terrorism. Sanctions signal a change in diplomatic posture without evoking military action and are generally designed to implement policy portion such as denying visas, blocking access to financial system and banning trade and critical goods and services.

The United States has imposed sanctions unilaterally and multilaterally, generally targeting individuals or entities to halt illegal and are harmful behavior. Experts note sanctions are more effective when there is a clear mandate such as a cease-fire, brought international support with explicit guidelines and a clear exit strategy.

In Africa, the United States has active sanction programs in nine countries with hundreds of individuals, entities and companies designated under these programs. The majority of these sanctions are designed to prevent terrorism or conflict, dissuade human rights abuses, and combat corruption or financial crimes.

So, I would like to know from our witnesses is if there is an exit strategy for active sanctioned programs in Africa. Most recently, the administration announced visa restrictions on Ethiopian and Eritrean officials accused of escalating the ongoing war in the Tigray region where there are continued human rights atrocities.

I again all urge all of those complicit to cease hostilities and come to a peaceful resolution in the Tigray region. Like most coercive measures, sanction can and have resulted in unintended consequences such as delayed humanitarian assistance or economic contraction. Studies show that sanctions can lose their effectiveness especially when they go on for long periods of time without effect or when countries on the continent don't agree with the objective.

It has been reported that African countries are less likely to enforce the sanctions regimes and we clearly saw this with the 30-year rule of Bashir in Sudan, a well-known human rights violator, and the willingness of the continent to embrace him for country visits.

South Africa, a country once sanctioned during its apartheid regime, borders Zimbabwe, and has had a keen interest in the country. Even with its influence on the situation in Zimbabwe, South Africa has never gone along with western sanctions on the country, which are focused on internal political practices and human rights.

South Africa is more concerned about the danger of economic or political collapse in Zimbabwe, which would heavily impact South Africa. I often speak with Zimbabweans and they repeatedly say that well-meaning targeted sanctions are affecting innocent citizens. The country has seen widespread reversal and secession of donor funding in the areas of social development such as environment, health, water, sanitation, education and infrastructure development.

I'd like to ask the panel, in Zimbabwe's case or any other case in Africa, are we over or under using sanctions in Africa? How can the U.S. improve its messaging to let the people of Zimbabwe know that the sanctions against the country are targeted specifically to individuals and not the country writ-large.

Sanctions are tangible and economic sanctions allow the United States and other concerned nations to withhold direct and indirect supports to countries that commit human rights violations. It is important for our panelists to give strong concrete ways of how to move forward regarding sanctions in Africa.

Where are sanctions still warranted? Where should they be revisited or lifted or are there other ways the United States can promote the rule of law or use our influence to change brutal regimes? I would like to thank our witnesses for participating in this important hearing and highlighting what works and what needs to be revisited.

The committee is looking forward to hearing your recommendations on the way forward. I now recognize the ranking member for the purpose of his opening statement. Mr. Smith?

SMITH: I thank my good friend, Chairwoman Bass, for again holding a hearing on a very important topic on the impact of sanctions on South -- on Africa. I know pathetically that I remember in the 1980s I was a strong supporter of sanctioning South Africa because of apartheid.

There were a number of people who made the argument that it hurt more Africans in South Africa that did the regime, but frankly when there is such an egregious violation of human rights as that apartheid policy was, it was I think, necessary to be all in and I think that made a difference.

And I think your point about sanctions over time is very well taken, Madam Chair, and we need to constantly recalibrate to try to make more effective and more efficient sanctions once they are levied. I'd like to affirm that the load star of any sanctions to a regime is how it helps or conversely hurts people on the ground.

And again, that could take the longer view like it did in South Africa where it did hurt some people on the ground at first, but led to a to an elimination of that appalling policy. The reason we have sanctions as a tool in the toolbox is to further the benign policy objective of countering bad actors and also because we desire to help people who suffer under bad and all too often barbaric regimes, and that is global.

These tools include the Global Magnitsky Sanctions, legislation for which I was the house author, sanctions under the International Religious Freedom Act, sanctions prescribed under the Trafficking Victims Protection Act and sanctions under many other laws, executive orders, and authorities.

The sanctions judiciously applied over years against the government of Sudan made an enormous difference 15 years ago when I met in Khartoum with President Bashir to protest the genocide against the people of Darfur. He spent an enormous amount of time arguing for an end to U.S. sanctions, and frankly showed little empathy for the victims of Darfur.

I was on my way to Darfur on that trip and I remember asking him, you know, Mr. President, when was the last time -- no let me amend that. When was the first time you went to Darfur? You know it was all about sanctions. He wanted those sanctions to be a goner and that's what he talked about.

While there are many ways to address the topic in general terms and in the abstract, I'd like to use this opportunity to discuss the sanction of certain Eritrean actors for abuses amounting to at a minimum war crimes and crimes against humanity both in Tigray and the Tigray region of Ethiopia and in Eritrea itself against their own people as well as those who use sanctions to leverage a ceasefire and how to ultimately bring an end to this conflict.

While we have witnessed since November of last year and Tigray shocks the conscience as you know, Madam Chair. Eritrean soldiers who crossed the border into Ethiopia have committed war crimes including the killing of unarmed civilians and rape. Not only have they targeted ethnic Tigrayans, but they have also targeted Eritrean refugees in camps on the Ethiopian side of the border.

These refugees have fled the police state headed by President Isaias Afwerki and has turned his country, who has turned his country into the North Korea of Africa. Sanctions thus would be used to punish and hold accountable those who have committed these atrocities.

Yet in this case where millions are suffering and the need for an immediate end of the war is so great sanctions might also be used to spur towards a negotiated peace. While the administration and the members of Congress including me have called for an immediate withdrawal of Eritrean soldiers in Ethiopia, there are practical questions of how to bring that about.

It seems to me that following a ceasefire in place, all actors need to be brought to the table and a resolution negotiated. How can one bring this about especially given how isolated Eritrea is for the rest of the world and now it is emphasized radical self-sufficiency requiring identifying what the pressure points are?

You'll recall, Madam Chair, that I chaired a hearing on Eritrea, a neglected regional threat back in 2016 that addressed many of these issues. I'm happy to say that on May 23rd, the Biden administration announced it was placing sanctions on certain Eritrean and Ethiopian officials. Beyond that, we need to identify sources of revenue which keeps the Eritrean regime afloat and keep players who control the funding.

One such source of revenue is the mining industry including the Bisha Mine which was the subject of a lawsuit brought by Eritreans in Canada who said they were forced to labor in the mine as part of the national service Eritrea requires of all of its citizens.

Another source is the Red Sea Corporation, an octopus type entity involved in multiple sectors which serves the interests of the ruling elite including the People's Front for Democracy and Justice or PFDJ. All these assets are under the umbrella of the Hdri Trust Fund. In terms of individuals who must be subject to financial sanctions, two in particular demand our attention.

One is Hagos Gebrehiwot who controls the money and the holdings of the trust fund and the other is Yemane Gebreab who after Isaia's is probably the most influential decision-making in Eritrea. By focusing on Eritrea and his actions, I don't mean to absolve the other bad actors, not only in Tigray but throughout Ethiopia.

BASS: Thank you.

SMITH: Of course, you and I have spoken to president -- Prime Minister Abiy various times. We're hoping that he will move. He did win the Nobel Peace Prize, to really making peace that is fair and equitable. Thank you, Madam Chair, and I yield back the balance of my time.

BASS: Thank you very much, Mr. Smith. We appreciate all of our witnesses and members being here today and we look forward to your testimony. Let me remind the witnesses that your written statements will appear in the hearing record under committee Rule 6.

Each witness should limit their oral presentation to a brief five-minute summary of their written statement and you will see a clock on the screen in the gallery view, so please adhere to that clock.

What we like to do in the committee is to go through everybody's testimony. All of the members have an opportunity to ask questions and then we will have another round if

there still is an interest in continuing but we want to stick to the time limit so we make sure that everyone has ample opportunity to raise questions.

Our first witness is Mr. John Prendergast. He is a human rights and anti-corruption activist as well as "The New York Times" best-selling author. He and George Clooney co-founded the Century Project, an investigative and policy team that follows corruption connected to war criminals and transnational award profiteers.

He has worked for the White House, the State Department, two members of Congress, the National Intelligence Council, UNICEF, Human Rights Watch, the International Crisis Group and the U.S. Institute of the Peace. He has also volunteered in Big Brothers Big Sisters Program for over 35 years and authored several books on Africa.

Dr. Bridget Moix serves as peace directs U.S. Executive Directors -- U.S. Executive Director -- collaborating with policymakers, donors and the peace building community. She has worked for 20 years on international peace and conflict issues with a focus on U.S. foreign policy. She spent nine years lobbying on foreign policy and peace issues with the Friends Committee on National Legislation where she developed and led the peaceful prevention of deadly conflict program.

She holds a PhD from George Mason University School for Conflict Analysis and Resolution where she focused her dissertation on understanding the motivation of local peacemakers and how the international community can better support them.

Noah Gottschalk is Oxfam's Global Policy Lead where he coordinates the organization's advocacy efforts on conflict, fragility, and migration. He has nearly two decades of expertise promoting peace, justice, and human rights and has spent much of his career living and working in countries experiencing conflict crisis in the Middle East and Africa.

He has led Oxfam's human rights campaign in response to natural disasters, conflicts, protracted crises in the Horn of Africa, the Great Lakes, the occupied Palestinian territory in Israel, working to mobilize and ensure government policies are driven by priorities of impacted people.

Eric Lorber is the Senior Director of the Center on Economic and Financial Power at the Foundation for the Defense of Democracies. He is also a managing director of K2 integrity where he advises global financial institutions on issues related to sanctions and anti-money laundering combating the financing of terrorism compliance.

Previously, he was senior adviser to the undersecretary for terrorism and financial intelligence of the Department of Treasury where he provided strategic guidance on U.S. sanctions and combating financial terrorism policies. I would like to begin with Mr. Prendergast.

PREDERGRAST: Chair Bass, Ranking Member Smith, and all the committee -- subcommittee members, thanks so much for your relentless work on these issues and this opportunity to testify again in front of you.

Two decades ago, I was part of a small team of U.S. diplomats led by Anthony Lake, Susan Rice and Gayle Smith that ended the Ethiopia-Eritrea War, which at the time was the deadliest conflict on the planet.

Two years of intensive diplomacy spearheaded by Special Envoy Lake who had been President Clinton's national security adviser produced a peace agreement that undoubtedly saved millions of lives as Ethiopia was on the brink of a massive offense that would have inflamed the already deadly war and led to famine.

Looking back on that peace process, the main ingredient we were missing and why it extended the process was we didn't have leverage. That kind of intensive persuasive diplomacy is very rarely successful when it's not backed by serious leverage.

So today as the new us envoy for the Horn of Africa Jeffrey Feltman labors to convince the Ethiopian and Eritrean heads of state to stop committing massive human rights abuses, I'm struck by how little has changed over these past two decades.

The U.S. sends very-abled diplomats out to cajole African leaders in the midst of these conflicts to stop looting and wrecking their countries, but provides very little in the way of effective, tailored, focused, and escalating leverage to help the envoy succeed in their mission. Leverage I believe is the critical missing ingredient in U.S. peace and human rights efforts.

Unless we can affect the cost-benefit calculation of those officials and their international commercial collaborators who are profiting from the deadly status quo, very little will fundamentally change. We might succeed in getting a short-term ceasefire here or a slightly better election there, but the violent kleptocratic systems that are the engines of human destruction are not being effectively challenged.

But properly devised and robustly implied (ph) financial pressure strategies as you have indicated with targeted network sanctions at their core can help change that equation. So instead of sanctioning individuals one at a time over an extended period, sanctions are much more effective when you target networks which include the targeted officials, their local and especially their international commercial collaborators, and the companies through which they do business and through which they move money.

And when paired with anti-money laundering measures such as the Treasury Department's FinCEN advisories, these can be doubly powerful. Two recent stories. One, south Sudan -- the United States initiated a focused series of targeted network sanctions and anti-money learning actions in October 2019.

Over a few months, the Treasury Department sanctioned a number of officials, businessmen, and companies right up to south Sudan's vice president and they issued an anti-money laundering advisory warning banks about corrupt funds flowing from south Sudan through the international banking system.

This sustained escalating use of pressures combined with intensive diplomatic efforts from around the world, local Sudanese civil society peace efforts were temporarily effective. A deadly deadlock was broken and the president and the main opposition leader agreed to form a unity government as we know in February 2020.

However, the easing up on those financial pressures since then has rewarded backsliding so progress has ground all halt, but if we apply the lessons of recent history noting that a return to full-scale war has been averted as a result in part of earlier financial pressures, we could reasonably conclude that a new round of stinging multilateral pressures using Global Magnitsky authorities and expanding on the original AML advisory could potentially break the log jam again, offering a real chance for peace in that long-suffering country.

DRC is another example. The sanctioning of Dan Gertler and his network of companies in 2017 and 2018 was an effective and impactful use of network sanctions. He was making hundreds of millions of dollars for Kabila and his own network and the way that these guys were at the core of the kleptocracy in the Congo was what was driving a lot of the violence.

In December 2017, the U.S. sanctioned Gertler, his main business associate and dozens of his companies using Global Magnitsky authorities and then sanctioned more of his companies a few months later and issued another anti-money laundering advisory highlighting his methods.

Kabila ultimately did not postpone elections indefinitely. He did not run for unconstitutional third term. He did not change the constitution thereby offering a small modest but real victory for democratic aspirations in the DRC. The country has a long way to go, but Kabila's kleptocratic grip has been shaken.

In conclusion back to where I started with this testimony, we need to provide Special Envoy Feltman and our other able diplomats across the African continent the leverage they need to more robustly address the spiraling crisis in Ethiopia and other war-torn countries by imposing targeted network sanctions on key officials and their networks in Ethiopia and Eritrea who are orchestrating military operations that have resulted in the kind of massacres described by Representative Smith.

So leaders of the former regime now in opposition also need to be sanctioned. So it's not one side or another side. Unless there is severe consequences for those personally profiting from the destruction, it's hard to imagine that the conflicts will end if we're just leaving it to hollow pledges of peace from the leaders and the toothless pleas for peace from governments around the world. Thank you so much.

BASS: Thank you very much. I appreciate that. Dr. Moix?

MOIX: Thank you so much Chairwoman Bass, Ranking Member Smith, members of the subcommittee for having this important hearing and inviting us to share our perspective. Peace Direct works with courageous local peace builders to stop violent conflict and build lasting peace. I am deeply honored to work with our partners in Africa and around the world and I'll do my best to speak with you on their behalf.

There's more in our longer written testimony as to their work and some of their perspectives on U.S. sanctions. Right now, I'm going to focus on one key message, six questions I hope Congress will consider on sanctions and one story.

First, if there's one key message I want you to take away from my testimony is the well-intentioned U.S. sanctions often can complicate and even impede locally led efforts for peace, justice and democracy. Sanctioning abusive governments also punishes innocent civilian population, (inaudible) civil society space and can deepen fragility for years to come.

Individual sanctions on human rights abusers can be useful but will have little or it could even have negative impacts if they're not part of a broader strategy coordinated

with the international community. A particular concern to peace builders are the current material support laws.

While these laws may seem reasonable, their ultimate effect has been to hinder vital humanitarian and peace-building work that often requires reaching civilian populations in areas controlled by armed groups and engaging all sides of a conflict in dialogue, counter recruitment efforts, trust building or even reconciliation.

(Inaudible) you talk to your enemies. So we urge Congress to update the material support laws to ensure that terrorist designations do not undermine life-saving work of humanitarian and peaceful organizations, and to provide safeguards or exceptions when sanctions are imposed.

Six questions to consider. One, will sanctions harm civilian populations? Economic sanctions aimed at governments do more often harm suffering of ordinary people and they layer structural violence on top of direct violence. So we advocate that sanctions should not be applied and should be lifted if they harm civilian populations.

Two, will sanctions help or hinder those locally-led peace-building justice and reconciliation efforts? Locally-led efforts are more effective, less costly and they create more sustainable peace. Sanctions should help facilitate not impede these efforts and they should be part of a comprehensive strategy to help end violence and restore broken communities.

Three, will sanctions support or undermine non-violent civil resistance movements? Research shows non-violent civil movements are twice as effective in deposing authoritarian regimes as armed movements and they lead to more democratic long-term outcomes. Congress should listen and respond to requests as in the case of South Africa for international sanctions from legitimate non-violent civil society movements.

Four, are sanctions part of a comprehensive coordinated strategy to reduce (inaudible) and here I want to flag that Congress should ensure sanctions are incorporated into and aligned with the global fragility strategy which is now required under the Global Fragility Act.

Five, what is the role of U.S. military assistance in the conflict? Congress should ensure that the administration's current sanctions review includes a thorough assessment of military assistance and improved accountability to guarantee U.S. weapons do not end up in the hands of armed groups or authoritarian regimes.

And finally, six, do sanctions perpetrate or help undo systemic racism in U.S. foreign policy? Decisions in Washington continue to be made based on the analysis of predominantly white foreign policy establishment. Note this panel of all white people talking about Africa rather than the lived experiences of those on the receiving ends of policies.

We encourage you to apply an anti-racism lens to sanctions decisions and seek out the perspectives of those who are most impacted. I want to close with a story of a peace builder and a friend. I'll call him Muhammad and he helped me understand why U.S. policies can be so problematic for peace building.

Muhammad worked for many years as a humanitarian and peace builder in Somalia. He used to tell me that for the price of one U.S. drone strike, he could help a thousand young people stay out of armed groups and become positive change agents in their communities.

He also explained to me how negotiating with armed groups to travel, to implement his projects, to reach the people that he needed to reach was just part of his daily reality. Muhammad had a vision of a peaceful future for his country and he knew there would never be a military solution to the conflict.

He believed that more peace building efforts locally led by civil society and a political process were ultimately the only way out. He believed a dialogue process between the government, armed groups, and with civil society could one day end decades of violence and bring a new future for his country. Does U.S. policy help or hinder Muhammad's vision? Thank you so much for this opportunity.

BASS: Thank you very much. Mr. Noah Gottschalk.

GOTTSCHALK: Madam Chair, Ranking Member, and members of the subcommittee, thank you for the opportunity to testify today on behalf of Oxfam and our partners and allies across the continent. Oxfam is a global organization that fights inequality to end poverty and injustice. We provide humanitarian aid and work with human rights defenders in many countries where sanctions are in place.

This means we not only work with people who experience the unintended consequences of sanctions but we ourselves are directly affected in ways that undermine our ability to fulfill our life-saving mandate. My testimony today draws from the experiences of African colleagues dealing with these consequences every single day.

When employed appropriately and as part of a coherent strategy, sanctions can be an effective tool to uphold human rights and even save lives, but they're not a substitute for more comprehensive diplomatic engagement. In the worst case, they can actually help authoritarians cling to power, prevent humanitarians from doing our jobs and contribute to civilian suffering and even death.

Even so-called smart sanctions targeting sectors and individuals can have harmful second-order consequences as well. So today, I'll focus on these unintended consequences in three areas, on humanitarian aid, financial transactions of civil society, and recommend ways to mitigate them.

In 1977, Congress passed the International Emergency Economic Powers Act or IEEPA, which authorizes national emergencies under which sanctions are issued. Legislators expressly created a humanitarian exemption within the bill but granted the president the power to waive this exception which successive presidents have done ever since.

As a result, rather than a baseline assumption that humanitarian aid should be excluded from sanctions except in the rarest of circumstances, we have the opposite, a situation where delivery of humanitarian aid depends on a license from the Office of Foreign Asset Control or OFAC.

Navigating the complex bureaucracy necessary to obtain licenses to send funds to support communities is a time-consuming challenge for even the largest of eight agencies but exponentially more so for smaller organizations including African diaspora groups here in the U.S. and many nationally led NGOs on the continent.

Time and again we find that humanitarian assistance delayed is humanitarian assistance denied. In some rare circumstances, a combination of sanctions and no effective license is deadly. Indeed, this was one factor that led the acute food security crisis in Somalia in 2011 to devolve into a full-blown famine that ultimately claimed the lives of more than a quarter million Somalis.

So, OFAC in the State Department should have adequate resources to process license applications in a timely fashion which is a particular concern in sub-Saharan Africa, but this challenge could be addressed in a long-term -- over the long term in any number of ways. Specifically, OFAC could simply issue a general license to enable humanitarian aid everywhere.

For his part, President Biden could fulfill congressional intent in IEEPA by leaving the humanitarian assistance exception intact. And as a third option, Congress can pass legislation like the Humanitarian Assistance Facilitation Act which Ranking Member Smith introduced in 2013 and which authorized a narrow set of transactions by trusted humanitarian actors.

The second major challenge relates to financial services. Banks are increasingly limiting or discontinuing activities in countries they view as high risk in a phenomenon known as banking risking. Sanctions may not be the sole cause of this problem but they factor heavily in how banks evaluate risk including in some African countries where banks are deciding the financial rewards just aren't worth the potential risks.

This financial exclusion has severe impacts on nonprofit organizations like Oxfam, on remittance companies, and on businesses who need funds from abroad. In response to this challenge, the U.S. bank examination manual can be rewritten to more appropriately assess the risk that NGOs pose, which could -- transactions pose, which could reassure banks that their risk could be more manageable.

The government can also establish white channels to facilitate money wiring and trade to locations experiencing severe financial exclusion like the Treasury Department did just last year via the Swiss humanitarian trade channel with Iran.

Finally, sanctions have unintended consequences on civic space and human rights defenders. Acclaimed Sudanese activist Hala al-Karib told me that while she supports targeted sanctions more comprehensive sanctions make it harder for activists to challenge authoritarian rule because they "transform the countries they are targeting into isolated territories, cut off from access to knowledge and global networks."

She continued that this isolation has particularly grave consequences for women's rights and can leave human rights offenders in sanctioned countries with "fewer avenues to pursue accountability for the corruption and human rights abuses that gave rise to sanctions in the first place."

Political leaders have been known to blame human rights offenders and humanitarian organizations for sanctions based on the false perception that such groups are informing on sanctioned officials and businesses on behalf of the international community. Restrictions on civic space often follow.

In some cases, sanctioned governments pressure NGOs to speak out against sanctions under the threat of legal reprisal or worse. This harmful impact can be

mitigated through robust consultation with civil society and clear consistent and transparent communication about the purpose and scope of sanctions.

In conclusion, when implemented as part of coherent foreign policy and coordinated with the international community to avoid loopholes, targeted sanctions can sever the link between corruption and conflict and create space for meaningful dialogue reform and long-term systems change. The global magnitude regime is a positive example of many of these principles I've outlined today and more can be done to further expand its usefulness. Thank you and I look forward to your questions.

BASS: Thank you very much. Mr. Lorber?

LORBER: Thank you so much Chairwoman Bass, Ranking Member Smith and distinguished members of the committee. I'm honored to appear before you today to discuss the impact of sanctions in Africa. Before I begin, I do want to corroborate and provide support to what Mr. Prendergast said initially.

As someone who worked on sanctions at the U.S. Department of Treasury including on sanctions in Africa, I think network-focused financial sanctions along with the provision of information that's useful to financial institutions to detect disrupt and deter financial crimes and illicit activity really is a powerful tool that we should be thinking about applying frankly more in certain situations to create the leverage that he was talking about.

I come before this committee today as an economic sanctions and compliance professional, having worked at the Department of Treasury and having advised financial institutions, corporations, humanitarian organizations, and individuals on ensuring that they operate in compliance with U.S., E.U. and U.N. sanctions obligations.

My testimony today will focus on the United States use of targeted sanctions in Africa to counter specific corrupt networks, terrorist financing, and human rights abuses. As we all know, the U.S. employs a wide range of types of sanctions to target threats to its national security.

Such sanctions include the comprehensive jurisdictional programs that prohibit U.S. persons from transacting with persons or in certain countries, sectoral programs that prohibit only certain types of transactions, and secondary programs that create sanctions risks for non-U.S. persons who continue to work with particular bad actors or in specific sectors of a sanctioned country's economy among others.

But understanding the key differences between the programs the United States employs against regimes and conduct in Africa and the programs that employees that gets comprehensively sanctioned -- excuse me -- jurisdictions such as Iran, Syria, and North Korea is important when assessing their impact and some of the risks of their use.

To counter threats to U.S. national security in Africa, the United States currently employs two types of programs, regime-based and conduct-based programs. Both of these types are targeted only sanctioning specific and particular individuals or entities for engaging in malign activity.

To date, the United States has currently maintains regime-based programs on a range of countries as well as a number of conduct-based programs including the GloMag program and the CT (ph) program, both of which have been mentioned by other panelists.

Today, the U.S. has also used targeted economic sanctions against a range of illicit actors with a varying degree of impact. So for example, as Mr. Prendergast mentioned earlier, sanctions designations of persons such as Dan Gertler have undercut their ability to raise and move funds and loot natural resources from countries and have significantly impacted their bottom lines.

Similarly, multilateral and U.S. sanctions against terrorist organizations on the continent have made it more challenging for these groups to raise funds and finance destabilizing activities. In many cases, however, the impact of U.S. sanctions have been limited in large part because many of the targets do not have significant exposure to U.S. markets or the U.S. financial system.

For example, when targeting human rights abusers in a specific country, in order for the sanctions to have a measurable impact, those individuals would need to have assets in the United States, be doing business with U.S. persons or otherwise be prevented from conducting business they otherwise be able to do. This is not often the case.

And while sanctions can be an impactful tool of U.S. foreign policy, their aggressive use can carry certain risks, in particular, as we've discussed, critics of sanctions suggest that their aggressive use can exacerbate humanitarian crises by making it more difficult to deliver medicine, food and other supplies without running afoul of U.S. sanctions programs.

These concerns are understandable and I hope we discuss them more during the question and answer. Though the regime-based programs in Africa are fairly narrowly tailored and scoped in many situations to avoid preventing the delivery of humanitarian goods.

To ensure our sanctions are impactful, the U.S. government needs to coordinate with partner countries. Terrorist groups such as Hezbollah, Ansar al-Sharia, Boko Haram and al-Shabaab remain a serious threat to U.S. interests, and working with partners in Africa is essential to countering such groups, especially as much of their financial activity does not touch U.S. markets or go through the formal financial system.

Likewise, the Treasury Department should continue to work with the United Nations, the private sector, and NGOs to jointly investigate, prosecute, and implement targeted financial measures to expose and disrupt their financial activity.

In addition, the United States should continue to work with countries in Europe where malign actors have assets and are exposed to the impact of joint designations. The recent enactment of the European Union and United Kingdom's global human rights sanctions regimes and associated designations gives the U.S. additional opportunities to coordinate closely to target human rights abusers and freeze their assets around the world.

U.S. sanctions programs targeting -- threatening activity in Africa remain limited list-based programs designed to detect, disrupt, and deter a specific illicit activity. Such an approach has upsides including the ability to narrowly target bad actors as well as downsides to include potentially limited impact.

When considering adjusting these programs, the Treasury and State Departments as well as Congress should carefully consider whether sanctions are the right tool to achieve U.S. policy objectives in the region and whether employing other tools as part of an integrated strategy make more sense.

Thank you and I look forward to your questions.

BASS: Thank you very much. We will now begin questioning the witnesses under the five-minute rule. I'll begin followed by the Ranking Member and then we will alternate between parties. One, let me once again thank you all for your incredible expertise and your testimony today and I wanted to drill down a little deeper.

So Mr. Prendergast, you talked about targeting networks and I wanted to know if you could explain a little more about how you go about doing that. And then I also wanted to because I know you trace the money and I know that a lot of foreign actors have a lot of money invested in the United States, and I want to know if in the Century Project you've actually looked at property and other assets that bad actors around the world might have here.

PRENDERGAST: Thank you very much Representative Bass. Thanks again for having us do this. On the network sanctions, to stick with the example that has been raised today and that I think everyone knows about, Dan Gertler. So, we have just -- if the United States had just sanctioned Kabila's most senior advisor in Kinshasa or one of his top generals, it would have had no impact because most of these people do not work, do not move money through their own bank accounts, through their own names.

They have shell companies. They have international facilitators and enablers to allow the money to move. For 20 years, Dan Gertler has been -- had been President Kabila's main money mover, main money launderer. So, billions of dollars have flowed out of the Congo during this time of tremendous human suffering and people all over the world have gotten rich because of this.

And by the way, as you know, this goes back 500 years to the beginning of the transatlantic slavery. This isn't some new phenomenon. This is the way we do business with Africa. We extract, we drain it of all the resources we can get, and leave the place dry and to leave the scraps for people there.

So, targeting the nodes of connection into the international financial system is utterly critical and Gertler represented that main node into the international system for the act (ph) -- for the president of the country. And if by networks...

BASS: Let me ask something. Does that lead to people in the United States, I mean, Gertler I believe was an Israeli businessman. Are there people here in the United States that are complicit with that -- U.S. citizen, U.S. business people, U.S. companies?

PRENDERGAST: Yes. You know, I hate to say this because you never want to be and I'm not even in a government agency. I remember the old days when I had to say I'm not at liberty to talk about this, but there is a major work going on right now looking at where some of those assets are in the United States.

And I think over the course of the next six months, we're going to see some action. But indeed, yes. Principally, these guys will go to Europe, in Belgium, and France

particularly. And so, going back to Eric's earlier comments, we have to generalize these sanctions efforts and anti-money laundering efforts and a lot of that is being done and you're seeing that from Treasury Departments going back to President Clinton all the way through to the present.

And so -- but much, much more could be done. And providing that evidence, that evidence that's being collected primarily by civil society organizations and by journalists, and turning it over to banks and turning it over to the U.S. government, European Union, and other folks who have where the assets are located now.

BASS: Right.

PRENDERGAST: That's the key action. I think you've hit the target.

BASS: Thank you. And Mr. Lorber, I wanted to know if you could give me an example of an African country where sanctions really brought about change and then we lifted them. And then I want to know if you could comment about Zimbabwe where we've had sanctions for over 20 years and I don't know what we have accomplished.

LORBER: Thank you, Chairwoman. I mean, I think the best example you have and I think Ranking Member Smith mentioned this, was the progress of the Sudan program over a period of approximately 15 years. I mean, you know, Sudan while everything there is obviously -- while there are many things there which are still problematic, you know, it has ceased its support for terrorism, for national terrorism.

It did cease procurement of North Korean arms it was involved in North Korean arms sales. Some of the human rights abuse issues are no longer as prevalent or as problematic as they once were. And as a result of the sanctions pressure primarily as Mr. Smith was talking about, is Sudan did come in in many important ways from the international cold.

On the Zimbabwe point, very, very quickly because I see time is running out, but in many ways the sanctions on Zimbabwe haven't focused on those primary financial facilitators like Dan Gertler that really do put pressure on the regime primarily against specific individuals, government officials in Zimbabwe.

BASS: Well in our second round, I'll come back and ask more questions specifically on Zimbabwe. Mr. Smith?

SMITH: Thank you very much, Madam Chair. John Prendergast, thank you for your many decades of tremendous work. You know, you really were the lightning rod when it came to Darfur and other terrible atrocities so, I again, want to thank you for that long-standing commitment.

And your point about networks and leveraging are so on point, and I know Mr. Lorber and maybe the other panelists would agree with that because if you can evade with plausible deniability legally that you're the one and it's your network that's doing it all, you know, a personal sanction pursuant to Magnitsky Act has little or no impact.

I would appreciate if you would speak to perhaps the, you know, impact that the TPLF has had for the current state of affairs. You know, it was the TPLF's repressive reign that the seeds of today's conflict, I believe, were sown. They had ethnic federalism introduced into the constitution which helped fuel ethnic cleansing.

They precipitated the immediate crisis by both attacking the northern command of the Ethiopian National Defense Forces and by launching rockets. So, you know, there's concern about that. And, you know, to the other issue of, you know, and maybe Mr. Lorber you could speak to this, are there times when, you know, there's a clear and compelling case to be made for sanctioning an individual or group of individuals but then political pressure is imposed?

I mean, we've seen it in the past with naming of countries, CPC countries for international religious freedom violations or naming countries that should be tier three pursuant to the Trafficking Victims Protection Act who don't get on tier three because of political pressure brought to bear by either regional assistant secretaries or perhaps by the secretary himself.

And I'm wondering if that's a problem, you know, that we've missed opportunities. And if you could expand this a little bit further on your work there. And finally, Alexander Zingman was arrested in late March in the DR Congo pursuant to alleged arms dealing, but he was an American and a Belarusian citizen.

And I wonder, you know, how far our net of trying to track people goes when they're doing their work perhaps out of Belarus or somewhere else, they are Americans. Do we tend to, you know, keep a good sense of scrutiny upon what they're doing? So if you could answer some of those questions, I'd appreciate it.

PRENDERGAST: Eric, you or me first?

SMITH: You're both -- John, go ahead.

PRENDERGAST: OK, thank you. Thanks for the question Representative Smith. And, you know, on the Ethiopia front, the TPLF, I mean, something that hasn't really come out a lot in the conventional news reporting is that TPLF consolidated economic power in Ethiopia over the course of the reign since '91.

And took over a number of sectors of the economy using government controlled private companies to consolidate, monopolize economic activity in those sectors. So, when the TPLF -- when they turned over power basically to the new administration of Abiy, they had an understanding that this economic arrangement would not be undermined and altered.

That was quickly reneged on and the new administration began taking over pieces of the economy that the TPLF had long dominated. There were companies like effort (ph) and others that controlled many sectors of the productive economy. And this is the fundamental problem here.

And so the TPLF absconded up to Tigray and consolidated themselves and thought that they could get away with the elections and sort of created an autonomous government in northern Ethiopia, but that was not Abiy's -- Abiy was not willing to go along with that plan.

So, you have now is vulnerability by Eritrea and Ethiopia and the former Tigray regime in the form of these economic arrangements that have ties into the international financial system. As Eric said, it doesn't matter if you sanction some individual who has no ties to the international system. It's not going to have an impact.

So looking at the companies and the individuals who have most to gain from this power play that's occurring right now is -- and then introducing and imposing stinging financial measures that go after those illicit financial flows and blocking transactions and freezing people who are responsible for massive human rights abuses, freezing them out of the international financial system and their international collaborators.

That I think is where we need to go to give support to the diplomatic efforts and to the local peace efforts that Ethiopians are trying so hard to facilitate themselves. So that's really where I think that you look for the points of vulnerability and you understand that the singular and unique dynamics in each situation and you try to apply and create a strategy that actually finds the pain points and hopefully affects the calculations of

those that are committing atrocities and those that have the ability to make peace if they choose to do so.

BASS: Thank you. Vice Chair Omar? Would you like to begin your questions?

OMAR: Yes. I wanted to just begin by thanking you, Chairwoman Bass, for holding such an important hearing. I've said before that our committee needs to take a comprehensive look at sanctions policy and this hearing is a really important part of doing that.

One of the strike -- one of the striking things that both Ms. Moix and Mr. Gottschalk's testimony is that I think we all agree that your organizations and your partners are doing incredibly important and life-saving work in Africa.

And we as members of Congress and members of the Foreign Affairs Committee need to make sure that our sanctions policies are not getting in your way, especially in the places where you work which are places on Earth where you are mostly needed.

Ms. Moix, can you give us an example of where sanctions have hindered your partner's work in the context of the COVID pandemic?

MOIX: Sure. Thanks very much for that question. And yes, we're honored to work with our partners around the world and they're very courageous, so they inspire us every day. COVID has of course, as in everything, had a big impact on peace building and humanitarian work. This is work that relies on reaching people, reaching populations that may be at risk that may be living in authoritarian regimes or maybe living in places where sanctions are imposed.

And so what we've seen is, you know, a layering on, a hardening, a closing of civil society space. It's more difficult for the work to be done. And in environments where sanctions have played a role and I actually pick up on the Zimbabwe example because it's an example where even if now you have maybe more focused and targeted sanctions, you have chronic impacts of decades of sanctions on a population on an economy on a society.

So, as an example, we have a partner, a women-led organization talking to them soon after the vaccine began to be available. And at that time, you know, they said well, we hope that we might get the vaccine by 2024. Now, there's a lot of things that go into that for Zimbabwe, but definitely the impacts of sanctions on the economy over many

years leaving the health and infrastructure how it is, is a part of that. So, that's one example.

OMAR: And if one of your partners in Somalia or the Sahel was trying to de-escalate conflict and promote dialogue, what are some of the obstacles that the counter-terrorism sanctions would put in their way?

MOIX: Yes. So, the material support laws and CT restrictions have been a real problem for peace building work and if you look at the kind of work that our partners do and there's some examples in the testimony there, it is work that requires engaging people who may be connected to or, you know, have been involved in violence. That's what peace building requires. And so these sanctions restrict that entirely.

And if you have -- if you look at for example what happened with the Taliban in Afghanistan, is that at some point you realize we have to engage these people. If there's going to be a peace deal, there has to be some way of engaging them and that was unheard of. The way it's unheard of now to engage Boko Haram or al-Shabaab was unheard of with the Taliban.

So, you have to at some point be able to think about how can you engage these people, and under this kind of restrictions, partners can't do that. Our colleague, Michael (ph) in Nigeria, you know, he said to me at one point like who is Boko Haram? You know, people are trying to survive. They may move in and out of armed groups. They may want to get out, but they can't and now these groups can't reach them.

And there also needs to be a rapid response often when an opportunity arises. In DRC, we have a partner who -- he has a lot of contact because he has deep connections with the communities with armed groups, with the commanders of armed groups and they literally will call him and say I have 100 -- this is a real example -- I have 100 child soldiers I'm ready to release, you know, come get them and reintegrate them with the communities.

If there's a process of vetting every person that he talks to because he's not allowed to use his truck to go out and gauge them to bring those children out of the bush, he can't do his work. He can't save those lives. So there are real practical problems with the laws and how they impact peace-building efforts.

OMAR: Appreciate that. Mr. Gottschalk, I really appreciate your point about Oxfam having the resources to navigate the licensing process and I appreciate your mention of my legislation to claim -- to reclaim congressional power of sanctions. My bill also has

provisions to make that process easier for organizations that don't have the same resources.

What should Congress be doing to make this process easier for humanitarian organizations?

GOTTSCHALK: Thank you so much, Congresswoman, and thank you for your attention on this issue, for your bill, and for consistently asking those questions, asking, you know, asking us who are on the ground how we can -- how Congress can help. You know, I think, you know, as you mentioned your bill would have a really important impact in reclaiming some of those authorities and solving and addressing some of the challenges that organizations face.

We also see a really significant opportunity if the Hafa bill that I mentioned that Ranking Member Smith introduced back in 2013, if that were to be reintroduced and passed, that would make our work significantly easier and reduce the burdens.

But fundamentally I think, you know, calling, you know, Congress speaking with one voice, calling on OFAC, calling on the administration to issue these general licenses to, you know, this is a question of restoring congressional intent.

Back in 1977, the intent of Congress was to make it easy for humanitarian aid to be delivered, for it not to be impeded by our sanctions, and yet every president since, I believe, has issued -- has clawed that authority back and issued these exemptions which has flipped the script, has made it that we have to prove that our humanitarian aid isn't a problem as opposed to assuming that the bona fide aid that legitimate organizations like ours are giving to people is legitimate.

And so, you know, this is something that can be solved really easily with the right political will from the administration, from OFAC, from the president himself. And if they're unable to act, again, there is opportunity for Congress to move forward with legislation like yours and Hafa.

OMAR: All right. And is it your understanding that it is just a matter of resources for OFAC or are there actual possible problems there too?

GOTTSCHALK: Resources are absolutely an issue, you're absolutely right. You know, I think if you look at the resources that OFAC has or devoted to sub-Saharan Africa as compared to other parts of the world, places like Iran, Venezuela, Russia, North Korea, they're significantly, significantly less.

And that means places where big humanitarian operations are undergoing, there's not enough people to facilitate those licenses to get the organizations like ours and particularly diaspora and smaller national based organizations who are the best position to respond in many cases. They can't move quickly enough to deliver the aid to save lives if they're waiting on the couple of people who are responsible to move this license forward.

And that's an issue in OFAC and it's also an issue in the State Department where there is the process of providing foreign policy guidance back to OFAC. So these are really great solutions to put their short-term solutions longer term. What we want to see is the issuing of general licenses and -- or at the very least, again, the reclaiming of congressional intent so that humanitarian aid is not -- does not follow foul (ph) of sanction.

OMAR: Appreciate that. And I now recognize Representative Issa to ask his questions.

ISSA: Thank you, Madam Chair. And I want to thank you for touching a subject that I think has been long overdue. Let me start by asking Mr. Lorber. To a certain extent, is it fair to say that if we took all the regimes in Africa one by one and said how bad are they, would any of them really be as bad as North Korea? Would any of them really be as bad on a scale as China is to some of their people?

To a certain extent, do we look geopolitically at countries based on size, economic power, and often the continent of Africa comes up short because they lack the importance to the American economy?

LORBER: Thank you for the question, Representative. I think for sanctions programs and the way they are generally prioritized including resources and staffing questions at OFAC, it's done primarily based on the national security threat that is posed by that particular country, by the leaders of that country. So that sort of explains why you would have Russia, Iran, North Korea, et cetera as sort of the most comprehensive programs that we have in place.

ISSA: OK. So, our largest trading partner, China, one of Europe's largest trading partners, Russia, are a national security threat to a certain extent at an existential basis. Is any country or all the countries combined in Africa a threat to the United States at an existential level?

LORBER: At an existential level, I would probably say no, but there are specific threats that do emanate from various jurisdictions in Africa. I mentioned a couple...

(CROSSTALK)

ISSA: ... but let's -- I want to balance this because I, you know, I was in Zimbabwe right after Mugabe died and during the transition of power and so on, and I saw a country that we have sanctioned for a very, very long time, and I saw a country that has problems and needs, and met with our ambassador there.

And, you know, found a country that needs American help even if it's just to have a program to make sure that the people understand that many of the things their government is allowing them to do is counterproductive to their own benefit. But having said that, let's just look at the continent of Africa for a moment.

One of the largest recipients over the last many decades of aid without sanctions has been Nigeria, correct? Half a billion dollars a year. Probably, the greatest theft of natural resources in all of Africa by their own government, fair to say, Nigeria?

LORBER: I think it's a candidate. It's up there for that, yes.

ISSA: Right. We give them half a billion a year, they steal half a billion in oil a month in some cases. So, from a standpoint of the flexibility and the accountability of sanctions for effectiveness and sanctions for appropriateness, how does Congress send that message and then audit it so that we don't have countries which are robbing their people blind.

But in fact, continue -- and who have inherent wealth get aid from us in a massive area and then a country where just helping them get back to the country they once were with, if you will, sort of USAID at the lowest level could be helpful they're denied it.

We see that in Africa all the time. How do we create that accountability and flexibility because this is an important hearing but as I look at Africa, what I see is these ambiguities time and time again?

LORBER: Yes. I think it's a great question. The recommendation I would propose would be, you know, aggressively use our legal authorities that allow for the targeting of corruption. So, if you do see the siphoning off of public assets or public proceeds, whether it's from directly from USAID or from other sources, targeting, sanctioning and working with international allies to go after those individuals and to freeze their funding...

ISSA: Briefly, can we in fact do a better job of targeting the actual corruption often by the highest levels in Nigeria and can we lessen for example in Zimbabwe, our flaw so that we can provide some help to the people of that poor country?

LORBER: Yes. I mean, I think -- yes, I think is the short answer to that question to both of those questions. I think you should be able to target corrupt actors in Nigeria or wherever they're operating and aggressively ramp up that program. And then to the extent that the Zimbabwe program, the assessment is that it's not working or is not effective and actually changing the behavior of that government, then it warrants a review to consider what action to take including potential either lifting of certain designations or ramp down in some way.

ISSA: Thank you. Thank you, Madam Chair.

OMAR: I now recognize Representative Jacobs to ask your questions.

JACOBS: Thank you, Madam Chair. You know, I think we've talked a lot about the unintended consequences of sanctions and I myself have experienced the difficulty they add to peace building efforts. I wanted to take a level up and just talk about the effectiveness of sanctions regimes as a tool for the U.S.

The Institute for International Economics has found that sanctions are effective about one-third of the time. And Mr. Prendergast, I know that your organization published a report in 2019 measuring the effectiveness of sanctions and I was wondering if you could describe what makes a sanctions regime most effective? Effective meaning reaches the desired outcome

And what lessons we can take as we're looking at whether we should use sanctions as a tool for different conflicts and challenges moving forward?

PRENDERGAST: Thank you, Congresswoman. You know, what doesn't work are the kinds of things that a lot has been brought up today. You know, Zimbabwe we have imposed these sanctions 20 years ago. There's no follow-up. They were on individuals. They have no real impact on the individuals that have been sanctioned, but then those officials can say it's the sanctions that is causing the humanitarian misery, the human misery in the country, and it's an absolute fiasco.

Sudan, you know, had an impact in the sense that it was just cratered the ability of the regime, the Omar al-Bashir's regime to access international finance, but it also had tremendous impacts on the broader population, this kind of comprehensive sanctions.

So, I think what lessons have been learned and are just blazingly obvious in neon signs is that when you target sanctions, when you go deep and understand the kinds of economic activity that is draining Africa through these extraordinary illicit financial flows, we're talking about billions -- hundreds of billions of dollars primarily from the natural resource sectors, but also from plenty of other sectors, which are flowing out of the continent every year facilitated by international banks and national mining companies, oil companies and others.

When you understand that so much of that activity is, A, corrupt or a result of corruption; and B, they're laundering those proceeds of corruption through the international financial system, and you can find the evidence for that.

Then when you target those networks, the individuals who are doing the stealing, the looting on the ground, and then the international facilitators and enablers going up into the international financial system, and you can sanction that network, that's the kleptocratic network. I think that is what is most damaging to Africa's future.

So much of what's going on in Africa today is so important and positive and it's being held down by these kleptocracies that where the financial incentives are skewed to using violence, to undermining the rule of law, to committing human rights abuses, and even to continuing conflicts so that these natural resources can continue to be looted.

We need to go after those networks in those countries and in the international financial system and really create significant consequences for that kind of activity.

JACOBS: OK. Thank you. And Dr. Moix, I was wondering if you could talk about any instances where the sanctions regime worked in a way that allowed peace building to continue and if there are any lessons from that that we should take as we're looking at doing sanctions in conflict areas to make sure that we can still allow peace building to happen.

MOIX: I mean I think the classic example of South Africa is the one that's often pointed to and I would say a really key factor there, is a civil society movement that was actively asking the international community to use sanctions. And so that's kind of the, like, I would say, you know, check like, that's what to check.

Is there an organized, legitimate, non-violent movement in the country that is actively asking for sanctions? Still there can be complications. So, in Myanmar right now, you have requests from civil society for sanctions against, you know, members of the military junta, et cetera.

You are still going to have the problems that Noah was raising about the banks and de-risking. And this sounds like, you know, I am not a financial person so, like, you start talking about de-risking and my mind starts to like float away, but this is a very practical problem.

So, in Sudan, when there were sanctions, you know, aimed for good purpose, maybe having some positive impact even -- we could argue about that John maybe -- but even if they were having positive impact on one thing, we couldn't get funds -- we couldn't get any bank to transfer funds to local peace committees on the ground in South Khorasan who were doing work just literally stop violence between communities because the banks are too scared once the U.S. puts sanctions on a country.

So you have to figure out -- this is something Congress has to figure out like how do you balance these things and make sure that you mitigate these unintended consequences anytime you're looking at sanctions. So, it's not easy.

There's a letter from 55 civil society organizations from March 26th that lays out a lot of these problems including some of the COVID related problems and it has specific solutions for treasury so I would point you to that letter. I know it went to Representative Meeks and McCaul and hopefully the committee has it.

JACOBS: Thank you. I yield back. I yield back, Madam Chair.

OMAR: Thank you. I now recognize Representative Cicilline for five minutes.

CICILLINE: Thank you, Madam Vice Chair. Thank you to our witnesses and really thank you to Chairwoman Bass for calling this hearing. I think, you know, we see this moment as a moment to obviously reinforce that the soul of American foreign policy is rooted in human rights democracy and the rule of law and, you know, want to understand how the tools that are at our disposal to help protect people from corruption and the kind of corruption that we see kind of all over the world right now.

Obviously, sanctions as the Chairwoman said, is a tool not a policy and so sort of figuring out how we balance complicated areas of the world and regimes in countries that obviously have very complicated set of circumstances.

But I guess my first question for the witnesses is have you ever seen an instance in which we were effective in communicating about the underlying reasons for the sanctions to the host country citizens and about the corruption that is the subject or the target of these sanctions? I mean, it feels like very often imposing sanctions and never even attempting to communicate with the citizens of that country as to what's happening, and so you often give tyrannical leaders the ability to blame the current conditions on the sanctions, and there's no counter messaging.

Have we ever done that or attempt to do that effectively in any of the countries on the continent that you're aware of? And is that something that we ought to be thinking about as we think about reforms to the use of sanctions?

LORBER: Representative if I can -- if I can weigh in on that.

CICILLINE: Sure.

LORBER: So, I think the answer is yes we have. We've done a better job of it recently I think than we have in the past. There have been a couple of instances where we really tried to sort of push out the messaging particularly related to corruption-specific sanctions, so GloMag sanctions.

The State Department runs -- I forget the exact name of the entity within your organization, but it is essentially a messaging multiplier and as part of some of our work that we were doing in Africa under the GloMag program in 2018 when a senior Treasury Department official, the undersecretary traveled to Africa in what I think was the first time an undersecretary of TFI has ever gone to Africa.

They pushed out quite a bit of messaging and spoke with on-the-ground leaders making clear to them that sanctions that were being imposed were not focused on the people, they were focused on corrupt leadership. In addition to that, one thing that was really done over the last administration, I think it has continued to this administration as well.

For some of the larger more comprehensive programs, these are not specific to Africa but I know in the case of the Syria sanctions program and in the Iran sanctions program, one thing that was done by state was they actually translated many of the press releases done by OFAC and the State Department and put them out on Twitter and put them out through messaging systems.

And they were some of the most read State Department tweets and I think tweets within the U.S. government across the world. So, there was some good resonance I think that was achieved. Now, can more be done? Yes, I think so, but at least think that that approach is a decent start.

MOIX: Can I add to that? I want to complicate it too because I spoke with some of our partners to prepare for this hearing and one of our colleagues is part of our global advisory committee, Quscondy Abdulshafi, and he helped lead the Darfur youth peace movement. I mean, he's a longtime activist.

And he really helped me understand. It's not just a messaging problem. It's a consistency problem in U.S. foreign policy. And so they're not just watching what the U.S. is doing in my country. They're looking across the world and saying, you know, the U.S. is saying one thing here and sending weapons to areas where human rights violations are happening over here.

Or in the case of Sudan, you know, Quscondy helped me understand that yes, we want accountability and justice and we want sanctions and we want, you know, al-Bashir to be held accountable and other perpetrators to be held accountable. But then the U.S. doesn't support the ICC, you know, formally doesn't like to stand up in the international system for coordinated justice mechanisms in the same way. So, how do we believe the U.S. no matter what it says?

CICILLINE: So, on that score, you know, with respect to the humanitarian exemptions that every president apparently has waived, rather than kind of urging the current administration to honor those assessments, why would we consider just repealing that waiver ability? I mean, what confidence do we have that even if Congress urges and what's the danger of doing that? If anyone wants to -- you know what I mean.

LORBER: I'd like to weigh in. Noah, feel free and then I'll jump in after you, but I do want to weigh in on the topic.

GOTTSCHALK: Yes, thank you. Thank you, Congressman. I don't know if there's a danger. I think, again, it's an expression of congressional intent and it's something that would be literally life-saving. You know, there are -- you know, there are a number of pathways that I highlighted that Congress can take.

And I think by continuing to have this conversation, I mean, I think the fact that it was quite difficult for us to find really positive examples of to your question of where the

purpose of sanctions having clearly communicated is evidence that there is a problem here that we can address.

And I think the message that is also sent, I just want to add this point, the message that is sent when the U.S. says they care about a population that we're sending hundreds of millions of dollars in humanitarian aid for a population, but we're not -- people are not seeing that assistance, they don't understand that they're not seeing the assistance because a license hasn't been issued yet because there's a staffer who's working, you know, their heart out of Treasury Department in the bowels of the department trying to process piles of paperwork.

They just see that the U.S. is talking about doing something. They're talking about sanctioning. They're talking about punishing, but they're not seeing the assistance come through. And that's something that can be resolved by putting a global exemption in place for humanitarian assistance and Congress, again, has a role to do that.

OMAR: Thank you.

CICILLINE: Thank you.

OMAR: So that concludes our first round of questions if members want to stay for a second round, we will be able to extend our hearing. I know that I am to start with Ranking Member McCaul -- Ranking Member Smith to take up the first five minutes.

BASS: Actually Madam Vice Chair...

OMAR: Chairwoman Bass?

BASS: Yes, if you don't mind. Excuse me, Mr. Smith. Do you mind if I jump in here and ask? I just -- I stopped off at Zimbabwe and wanted to ask, you know, specifically about our 20 years of sanctions in Zimbabwe. What have we accomplished? What do we need to do? And I would like if each of you could respond. Maybe I'll start with Dr. Moix.

MOIX: I don't think we accomplished much. I don't think Mugabe went without a meal.

BASS: OK. Mr. Lorber. Mr. Lorber?

LORBER: Apologies on that. So, I do think that there were some accomplishments particularly related to sanctions like authorities including restrictions on the ability to send repressive equipment for example to Zimbabwe. So things like tear gas and similar types of civil equipment used to put down civil unrest.

In terms of your earlier question, Madam Chairwoman, I will say that part of the reason that the Zimbabwe program has not been particularly successful and I think that's a very fair assessment of it, is that sanctions programs particularly these list-based types of programs, they need to be either escalated or refreshed over time in order to have impact.

The Zimbabwe program has been on the books for almost 20 years at this point and there hasn't been a designation or a real serious set of designations, I think, in probably a decade. It's been a long time, and so in order to have an effective sanctions program that actually is trying to create a change in behavior, you don't just put 120 names in the case of the Zimbabwe program on a list over a period of a few years and let it just kind of sit there.

You actually have to have it as part of an integrated strategy where the pressure is ramped up in addition to aggressive negotiations of diplomacy, in addition to other types of, you know, foreign policy tools that are in play. And so if I can think of the reason that the Zimbabwe program maybe hasn't been as successful as we would have all hoped is that it sort of was a sanctions program that was put into place and then sort of forgotten or left to sort of sit there and not continually update it.

BASS: Mr. Got -- I'm sorry -- yes, Gottschalk.

GOTTSCHALK: Yes, I'll say that, you know, Oxfam has worked in Zimbabwe for many, many years and we have -- I consulted with colleagues there before coming before you today, and they in turn tested -- they in turn consulted with a really wide range of the Zimbabwean partner organizations that we worked with.

For the sake of the security of those organizations, I can't go into the details of what they said in this setting, but I would be very happy to talk to you about this in private and even to set up a meeting with some of those colleagues directly, you know, remotely.

I think what the various perspectives that I heard from colleagues indicates is that the U.S. has a lot of work to do to better communicate the intent of our intervention in Zimbabwe, and specifically to the people of that country.

BASS: Mr. Prendergast.

PRENDERGAST: I think we need to modernize the sanctions, you know. They've accomplished very little. We need to update the list. We need to remove some names. We need to add some others. We need to go after those that are driving today's kleptocracy. Investigate those networks and impose network sanctions on them, and then work closely with the global banks and the regional banks to enforce those sanctions because if you don't enforce them, there's going to be very little to no result from this effort.

But I do think if we did modernize them and bring them into the 21st century, I think we could have an impact there.

BASS: And Mr. Lorber, in terms of because you've worked with this before, what do we do? Do we have an annual review? Again, I'm not acting as though, you know, everything is fine in Zimbabwe. I know that it isn't, but I just don't understand when we put these policies in place what's our measure of success and how do we analyze them and how do we look at what's happening in the broader country and measure whether they help or hurt?

LORBER: There is a review process. There is an assessment process. Actually, in fact, Treasury is currently conducting a kind of soup to nuts review of all of its sanctions programs. But these sanctions are authorized under IEEPA authority. And under IEEPA authority, you have to every year go back and continually declare that there's a national emergency related to, you know, in this case, the Zimbabwe situation.

During that process, oftentimes there will be a review. It may not be as in-depth as all of us want or as we think should be done, but there will be a review of the current program, the names on the list, whether or not anyone should be potentially de-listed.

But again, it's not to the point that Mr. Prendergast was making, that John was making. It's not an aggressive sort of how are we going to really push this program forward and achieve the objectives that we want to achieve with it.

BASS: Great. Madam Vice Chair, thank you. Ranking Member Smith?

SMITH: Thank you very much, Chairwoman Karen Bass. Let me just ask if you would, just to clarify about COVID-19 which, again, we've had a hearing in our committee. It was raised earlier today with Chairman Meeks with the roundtable and I spoke to that issue of COVID-19 as well.

Now, the concern that we have had is that in 2020, the numbers were very low in Africa. A lot of good reasons as to why. Maybe it was under reporting to some extent, but now it seems to be that with variants, it's getting worse. We're not sure how much but 86,000 or so sub-Saharan Africans have died as a result of it and there seems to be an uptick that's very disconcerting.

Add to that, that it's going to be very hard to get the vaccines there with India now redirecting most of its vaccine to its own domestic crisis. So, the question was raised earlier about, you know, does sanctions tend to lead to a blockage of this kind of absolute emergency humanitarian aid and it would apply to other things as well?

And my sense is that it's not, and if it is, certainly we would want to know that. Mr. Lorber, maybe you could speak to that do you know of any incidents currently where the provision of COVID-19 vaccines or other interventions has been hindered in any way because of a sanctions regime?

I also would ask -- you did speak to Zimbabwe and I do appreciate that there was some successes. There's no success really with regards to the regime there, which obviously is corrupt and hurts its own people. I mean, that's the bottom line of all of this, hurts their own people.

And, you know, that's why we do sanctions in the first place, first and foremost, to mitigate the damage being done to their own people. If you could also speak, you know, Mr. Lorber, to -- I asked about Alexander Zigman and whether or not there, you know, if that -- if his case was perhaps something that was being looked at by Treasury.

He is a U.S./dual citizen with Belarus and was arrested in the DR Congo as I mentioned earlier. And also finally, the one question about, real quick, are there cases of individuals who, you know, there's a great deal of concern that they should be sanctioned and then they're not because of political pressure. How often does that happen?

LORBER: Yes. That's a series of great questions, Congressman. I appreciate them. So, I will go through them in turn. So, I do not know of a specific situation in which there was the inability to deliver COVID related materials specifically as a result of sanctions. I think actually this gets to a bigger question, a bigger point and conversation that we were having earlier with Representative Cicilline as well as with one of my fellow panelists.

So, on the question of these humanitarian general licenses, as a rule for the major sanctions programs, the jurisdictional programs, Iran Syria, you know, North Korea, there are general licenses in place that allow for the delivery of humanitarian goods including things like medicine, including PPE for example.

In addition to that, there are sometimes not humanitarian exceptions as they pertain to very specific regime or list-based programs, kind of what we're talking about right here, right? So the sanctions program on Burundi may not have a humanitarian exemption. The reason for that is pretty clear though. That is a list-based program. The only people who are sanctioned under that program are specific individuals who are engaged in known bad activity.

So, OFAC doesn't want you transacting with those specific individuals. If you don't transact with those specific individuals, nothing you're doing is prohibited and therefore you wouldn't need a license in the first instance.

So the reason I think that OFAC hasn't extended out that licensing authority, that general license to all of its programs, is there are many programs where if you're not transacting with a bad person and it's very easy to avoid, which it can be, you know, it's doable not to transact with a bad person, you don't need to do that and they don't want to authorize you transacting with a terrorist organization or someone who's abused human rights or so on so forth.

On your other questions specifically related to the Zingman, I don't have any relevant information on that point, so I apologize for that. And then the final question that I was tracking was actually from your prior question about have you ever seen any sort of political pressure where there's clear and compelling evidence to take a sanctions action but that political pressure weighs in.

The answer is no, not in that way. I've never seen that. What you do see though is there is often a spirited interagency debate before an action is taken. So State Department will weigh in and say, well, we think we shouldn't take this action because it may cause political problems in, you know, or with our diplomacy.

And the Justice Department may say, we don't think there's enough evidence. And the intelligence community may say, well, we're collecting on this target so if you sanction them they're going to know that we're going after them so we'll lose that collection. So there are all sorts of legitimate reasons why even in a situation where there's clear and compelling evidence, you might not actually move forward with a

sanctions action, but I've never seen overt political pressure like that, like what you described.

SMITH: It sounds like due diligence.

LORBER: Exactly right. Exactly right.

SMITH: I appreciate that very much. Thank you very much and I yield back.

OMAR: Thank you. Mr. Gottschalk, I wanted to reference your testimony -- you talked about -- you pointed out some crucial points about the second order impact of sanctions. Is it correct that even for organizations that have license to operate in places where sanctions are in place, that there's still problems with getting banks to transfer money into those countries?

GOTTSCHALK: Thanks, Congresswoman. Yes, absolutely it's a problem. If I could just beg your indulgence for just a few moments of your time to respond to a part of the ranking member's question. You know, I think while we haven't yet documented specific instances of COVID vaccines being denied because of sanctions, I think it's safe to say, unfortunately, that if and when those vaccines do become available to countries that have sanctions designations in place, there will be a restriction of access.

I think for the time being, our big concern is that the drug corporations are not allowing the -- what we're asking for, which is the people's vaccine, that this vaccine be shared equally among people around the world. This was a publicly funded vaccine and we believe that it's a public good, a global public good and that none of us can be healthy until all of us are healthy.

And by sharing the recipe for the pie, we don't have to divide it up in smaller slices. Specifically to your question, Congresswoman, and thank you for that and thank you for recognizing how these second order impacts happen. I mean, specifically the issue of bank de-risking is a significant problem.

But before I come to that, I want to also say that, you know, when Secretary Pompeo issued -- designated Ansar Allah, better known as the Houthis in Yemen, there through the specially designated global terrorism designation as well as the foreign terrorism terrorist organization designations, we spoke with pharmaceutical companies who were doing business with Yemen who said this was going to force them to reconsider their business there, of course.

And then when OFAC issued a general license that would have included specifically pharmaceutical goods, those private traders, those private companies, still we're not changing their position, and I think this speaks to the idea that the risks are so -- when the risks are so great and the rewards are potentially so small, private companies are not going to do business.

And I think, you know, backing up back to the issue of bank de-risking in particular, you know, after 9/11, the regulatory burden was shifted from governments to private corporations, to private banks. And unfortunately, I think what they're doing is they're making a rational decision, right?

They're deciding that the regulatory burden, the cost to them, the risks are simply too high for them to engage meaningfully, and it's of course, quite difficult to incentivize private companies to take actions that we want to see. But if we -- I don't take up too much time, but if we do I'd love to talk more about the specific impact this has had in Somalia for example, on remittance corporations, which is a really, really significant challenge.

You know, one of the solutions that we would have in mind specifically is the creation of what are called white channels and this would be, you know -- usually this would help in places where banks decide that the costs and consequences of working outweigh the benefits of doing business. It sets up a system that governments can use.

It's kind of like, you know, if your ship was coming without its navigation system and you didn't know quite where you were going until you ran aground, this is a channel that establishes really clearly that you -- that has boundaries on either side and you can safely arrive in port.

And I think the establishment of a white channel like this means that the risks can be reduced and corporations, banks, in particular, companies, traders, et cetera, can be more likely to be willing to take on the lower risk of engaging in in places where sanctions are in place.

OMAR: Yes. So, I want you -- obviously, you alluded to this but to speak a little bit to the effects of the, you know, banks inability to or willingness or the obstacles that exist for them to transfer money, the impact that it has on a country like Somalia as, you know, I'm part of the Somali diaspora, the country in itself wouldn't survive without remittances.

And I know Oxfam has been a leading partner for so many of us who've been advocating. And so if you can just speak to what the effects of -- what the effects have been on Somalia? Really appreciate it.

GOTTSCHALK: Yes, absolutely. And thank you for the recognition. My colleague, Scott Paul, has been really leading this work for Oxfam. You know, this is an issue that touches on constituents in probably all of your districts, you know, and the fact is that a country like Somalia, which is heavily, heavily dependent on remittances, I believe it is a third -- it amounts for a third of Somalia's GDP every year.

Significantly more, I should mention than comes into the country through foreign assistance. When remittances come into the country, people don't spend them on luxury good, you know, in most instances. They're spending them on basic needs.

And so these are life-saving transactions this is money that's coming in and to let people buy food and, you know, shelter when they can get it. And it also has specifically really important impacts on women and women's empowerment because studies have shown that when women are receiving remittances, we see this in our programming on the ground in Somalia.

They have greater control of their households they can open up small...

(TECHNICAL DIFFICULTIES)

(END OF AUDIO FEED)

END

May 26, 2021 17:05 ET .EOF

Provider ID: 1un40s12

-0- May/26/2021 21:05 GMT