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Tom Lantos Human Rights Commission

Hearing
On
Considerations on Economic Sanctions

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Statement of Gabriel Noronha
Fellow, Gemunder Center for Defense and Strategy
Jewish Institute for National Security of America (JINSA)

Co-Chairs McGovern and Smith; Distinguished Members of the Commission: thank you for the opportunity to testify regarding the humanitarian considerations of economic sanctions.

Sanctions serve as a powerful tool for the U.S. government to protect the innocent, weaken terror groups and oppressive regimes, and – as I often heard firsthand when I served as the State Department’s Special Advisor for Iran - bring a measure of justice to the families and loved ones of those persecuted, tortured, and killed.

As an implement of statecraft, sanctions can deprive hostile governments of revenue used to wage warfare against our allies and partners or their own people, to finance terrorism or personal corruption, and disrupt their ability to procure and proliferate weapons of mass destruction. Sanctions raise the cost of doing business – from the sale of oil to fund militaries and to the purchase of weapons and materials for nuclear programs. They can avert conflict by providing an intermediary step between diplomacy and warfare, and at times have created the conditions that led to successful diplomatic negotiations.

However, sanctions are not a panacea to those suffering under the thumb of oppressive governments. The U.S. government should not solely rely on sanctions as the means to provide justice to the oppressed or to weaken hostile states. There is a growing tendency among officials, the press, and the general public to look to sanctions as the first and only resort when other more-effective solutions sometimes exist. The U.S. government should also consider creative messaging and information campaigns, outreach through diaspora networks, judicial prosecution and seizures, and technological solutions to help those who suffer under authoritarian regimes.

The United States should bolster the long-term effectiveness of its sanctions programs by negotiating trade deals and supply chain resiliency programs to maintain the preeminence of the U.S. financial system and trade relationships and preclude the widespread adoption of hazardous, alternative financial payment networks – particularly those led by the People’s Republic of China or the Russian Federation. These networks could limit the impact of U.S. sanctions in the future by insulating transactions conducted via these systems from U.S. jurisdiction.

The governments of Iran, Venezuela, Syria, and North Korea were sanctioned by the United States – among other reasons - after they repeatedly massacred and tortured their own citizens, grave misconduct that continues today. These regimes’ senior officials plunder their countries’ natural and public resources and pilfer then re-sell medical and humanitarian goods for personal profit even as these regimes’ propagandists routinely blame U.S. sanctions for the suffering of their population. They are often aided in these messages by the Russian and Chinese governments through elaborate public messaging campaigns.

U.S. economic sanctions against these countries are both a response to – and cause of – reductions in economic activity and growth. This outcome forces reductions in the governments’ budgets and capacity to conduct and fund malign activity, reductions that can save untold lives and prevent suffering. When the regimes focus their dwindling resources on their political survival or aggressive expansionism, it is a conscious choice to neglect their people and other priorities that will weaken their long-term capacity to sustain these efforts. While these regimes are careless with the wellbeing of their citizens, the United States goes to great lengths and expense to help preserve humanitarian conditions in the targeted countries.

The United States should continue to take every prudent step to ensure that its economic sanctions programs do not cause undue harm to civilians, while ensuring that hostile governments do not take advantage of humanitarian exceptions for their own personal gains or nefarious motives. As outlined further below, this can be better accomplished through clearer and proactive public messaging of the humanitarian exemptions of sanctions programs, reducing the cost for businesses and non-profits to receive approval for conducting humanitarian trade and aid, and building out creative technological solutions to circumvent regime blockades.

The remainder of this testimony outlines lessons learned from recent sanctions programs, particularly the “Maximum Pressure” campaigns against Iran and Venezuela, and offers suggestions to improve outcomes for innocent civilians suffering under authoritarian regimes.

Sanctions Protect the Innocent and Weaken Our Enemies

As the Treasury Department recently noted in its [2021 Sanctions Review](#), sanctions “allow U.S. policymakers to impose a material cost on adversaries to deter or disrupt behavior that undermines U.S. national security.” By disrupting specific activities, the United States can indirectly save thousands of innocent lives otherwise targeted by terror groups, cartels, and outlaw regimes.

As the Sanctions Review notes, sanctions were used to effectively dismantle the Cali Cartel, one of the world’s largest and deadliest drug cartels responsible for multiple terror attacks and the killing of thousands innocent civilians across the United States and Latin America. Sustained sanctions on the cartel began in 1995 under President Clinton and lasted until 2014 under President Obama. Along with law enforcement actions the freezing and seizure of significant cartel assets put enormous pressure on the cartel’s activities. In an [interview](#), then-director of OFAC Adam Szubin said, “financial sanctions can really deliver a death blow.” The homicide rate in Colombia [fell](#) from 61 per 100,000 people in 1995 to 27 per 100,000 in 2015.

Sanctions have also been used to prevent Iran from generating revenue through oil sales that support its nuclear and ballistic missile proliferation activities and support for terrorism. In March 2019, the leader of the U.S.-designated terror group Hizballah, Hassan Nasrallah, publicly [appealed](#) for donations for the first time ever. Hizballah had been forced to undertake unprecedented austerity measures and U.S.-designated terror group Hamas had [enacted](#) what it called an “austerity plan” to deal with a lack of funds from Iran. Iran’s Islamic Revolutionary Guard Corps’ (IRGC) budget was [cut](#) by 17% in 2019. The reduction in terror group funding means fewer rockets fired at civilians and fewer fighters to kidnap our citizens and those of our allies.

Measuring the humanitarian success of sanctions in every scenario can be difficult because we are trying to estimate the difference in potential deaths, detentions, terrorism, or regional expansion absent sanctions as a complex counterfactual against reality. That should not encourage us to experiment by lifting sanctions against terror groups and oppressive regimes.

Nor should the United States apply overly-broad exemptions to our sanctions programs. Lessons from recent sanctions programs demonstrate that these regimes carefully watch and take advantage of any openings to conduct and finance terror activity, and either steal and sell aid for personal or political gain. For example, the Treasury Department’s 2022 National Terrorist Financing Risk Assessment [noted](#) that ISIS supporters fundraise using various social media platforms and often “disguise their appeal as humanitarian aid”.

Lessons from Maximum Pressure on Venezuela

Human rights formed the basis of U.S. sanctions against Venezuela and the Maduro regime. The United States imposed 162 sanctions against Venezuelan officials, leaders of military forces, Maduro’s family, and other corrupt individuals under Executive Order (E.O.) 13692, instituted under President Obama to address the Venezuelan government’s erosion of human rights, political persecution, and its abuses, arrests, and detention of protesters.

The United States’ broader economic sanctions against Venezuela were mostly implemented in 2018 and 2019 and came after the regime’s economy had already collapsed and were a response to – [not the cause of](#) – the suffering of the Venezuelan people. Prior to the imposition of sectoral sanctions, the Venezuelan poverty rate had already exceeded 90%, inflation was in the quadruple digits, infant mortality had increased by 44%, and millions of Venezuelans had already fled the country.

Internal corruption undermined efforts to improve conditions for the Venezuelan people. While the Venezuelan people were starving, Colombian national Alex Saab – a close contact of the Maduro regime – [laundered](#) and misappropriated hundreds of millions of dollars supposedly allocated for low-income housing contracts as well as for the government’s food subsidy program, the Local Committees for Supply and Production (known as CLAP).

As [documented](#) by the Treasury Department, the Maduro regime used the CLAP program as a political tool to reward political support and punish political criticism, entrenching its power by starving any opponents. When foreign governments provided aid to the CLAP program, the sales

of CLAP boxes were subsequently [used](#) to enrich Venezuelan officials, who could have provided three times the amount of food had they not stolen the allocated funds. The regime [used](#) a national identify card, *Carnet de la Patria*, known as the Homeland Card, to determine which individuals could even access food aid or healthcare. The card was also used to effectively force Venezuelans to vote in rigged regime elections by depriving food to those who failed to vote. 83% of pro-Maduro voters [said](#) that CLAP was their main source of food, while only 14% of independents reported the same.

Meanwhile, the United States has provided [nearly \\$2.7 billion](#) in humanitarian, development, economic, and health assistance to the Venezuelan people. However, efforts to provide aid to the Venezuelan people were often hijacked by the regime for corrupt purposes. According to interviews with senior U.S. government officials, humanitarian aid from the United States and other international aid groups, such as the World Food Program, that eventually entered Venezuela was diverted away from the areas of greatest need to areas under heavy Chavista control where conditions were not as dire.

At other times, Venezuelan forces [blocked](#) U.S. shipments of aid coming into the country at Maduro's orders. In 2019, security forces also [disrupted](#) Red Cross efforts to distribute water treatment to residents in Caracas and were told they did not "have permission to hand out supplies in their territory." In late 2020, Venezuelan authorities [cracked down](#) on humanitarian groups trying to distribute aid in a non-political fashion, arresting six aid workers who ran soup kitchens around the country. The regime also failed to provide work permits to Doctors Without Borders, resulting in their withdrawal from Caracas.

The Maduro regime repeatedly demonstrated it prioritizes maintaining its own grip on power and its lust for corruption over the wellbeing of the Venezuelan people. Sadly, many efforts to provide aid to the long-suffering Venezuelan people only entrenched their oppressors, whom the UN's independent fact-finding mission [reported](#) in September 2022 were committing "crimes against humanity".

The main reason the Maduro regime seeks negotiations is to pursue the removal the U.S. sanctions and regain access to frozen funds. A recurring pattern over the past few years is that the regime abandons talks once it perceives the level of international and domestic pressure has diminished. One reason that talks have faltered may be that the Biden administration has yet to impose sanctions on Venezuela.

Lessons from Maximum Pressure on Iran

During the Maximum Pressure campaign against Iran from 2018-2020, the Iranian regime dedicated significant resources to foreign media campaigns decrying U.S. sanctions as responsible for the suffering of the Iranian people, often claiming that they prevented medicine from getting to Iranian people. These claims do not stand up to scrutiny, but more importantly served to distract from gross corruption and the diversion of medical goods and resources away from the Iranian people to fund terrorism.

In July 2019, President Rouhani's Chief of Staff sent a letter to ministers because over 1 billion euros intended for medical supplies had "[disappeared](#)". That same month, Iran's deputy health minister admitted that over \$170 million dollars intended for medical supplies were then instead spent on tobacco and cigarette paper. In November 2019, three top directors of the Health Ministry who worked in the foreign purchase and foreign exchange allocation departments were arrested on corruption charges. In October 2020, Iraqi authorities [confiscated](#) 19 trucks loaded with thousands of medicines that had been smuggled out of Iran.

In early 2020, as COVID spread throughout Iran, the United States offered to provide medical aid to Iran. The Supreme Leader Ali Khamenei quickly rebuffed the offer, while the regime's cyber police [arrested](#) 121 Iranians for "spreading rumors" about the coronavirus. The Iranian Health Minister [complained](#) in March 2020 to President Rouhani that most of the protective masks had been sold on the black market. The same month, the Iranian Ministry of Health [kicked](#) out a Doctors Without Borders team which was setting up a treatment facility in Isfahan. In January 2021, Supreme Leader Khamenei banned Iranians from taking any COVID vaccine produced in the United States or United Kingdom.

The health and wellbeing of civilians living under sanctioned regimes could easily be ameliorated should their governments devote resources to domestic priorities. In March 2020, Khamenei promised to allocate \$1.2 billion from the National Development Fund to fight COVID. But six months later, Iran's Health Minister [said](#) the Health Ministry had only received a 27% of those funds and asked, "what they are using it for that could be more important?" The answer is that during the prior two years, Khamenei had [raided](#) \$4 billion from the same fund for military expenses. As the Health Ministry was begging for adequate funding, Khamenei increased funding for the Islamic Revolutionary Guard Corps by 33% and doubled the budget for the Basij, a repressive Gestapo-like force used to suppress domestic protests.

Despite not funding actual health outcomes, the regime still went to great efforts to decry U.S. sanctions – mostly to Western audiences. In March 2020, during a government cabinet meeting, President Rouhani [applauded](#) the Ministry of Foreign Affairs for their "concerted effort to influence public opinion and say 'no' to sanctions." He described that "our efforts are aimed at bringing back our money seized in other countries." The government created a website to coordinate embassies' propaganda about the coronavirus and efforts to end U.S. sanctions.

The United States on the other hand invested significant bureaucratic energy to the creation of the Swiss Humanitarian Trade Arrangement ([SHTA](#)). The SHTA was [used](#) in 2020 to ship millions of dollars' worth of cancer drugs and other medical treatments into Iran.

There has always been a strong mismatch between the Iranian government's depictions of sanctions and how they are viewed by the Iranian people themselves. One former U.S. hostage held in Tehran's notorious Evin Prison recounted to me how many of his fellow inmates would cheer when the prison's TV announced the United States had levied a new round of economic sanctions against the regime. After the United States sanctioned brutal Iranian executioners, I received a teary phone call from a surviving family member who had sought justice for their lost

relative for years - if not decades – and finally felt a small measure of relief. The impact and value of standing up for justice should not be minimized.

The divide between reality and regime messaging on sanctions is evidenced on a broader scale by public polling: a 2021 [poll](#) of over 20,000 adults inside Iran found that 86% blamed “domestic inefficiency and corruption” for the state of the Iranian economy, while only 9.7% believed that “foreign sanctions and pressures” were primarily to blame. The same poll found that despite the Iranian regime’s efforts to blame the United States and its sanctions for all manner of ills, 51% of the population still held a “somewhat favorable” or “very favorable” view of the United States – significantly higher than Russia, China, or even European nations.

Suggestions to Mitigate Sanctions’ Humanitarian Impacts

While the United States goes to great length to ensure that sanctions do not target legitimate humanitarian goods and services, especially medicine and related equipment, these efforts can always be improved. The goal of U.S. sanctions programs is to punish and constrain those who oppress others, not to inflict harm on civilians. As experiences with recent sanctions programs have shown, loosening our sanctions programs is not the solution – other remedies are available.

One of the chief issues with U.S. sanctions programs comes not from overly strict restrictions, but from overcompliance with sanctions from the private sector and non-profit world. The United States should make a concerted effort to fight overcompliance, particularly on provision of anti-censorship and internet services as well as medical and humanitarian goods, by staffing Treasury, OFAC, and State Department sanctions offices with outreach officers who can clearly and proactively explain and encourage transactions permitted under existing general licenses.

Private companies and non-profits frequently cite the complex sanctions architecture and risks of misinterpreting Treasury’s rules as reasons for not engaging in otherwise permissible humanitarian activities. The U.S. government should address this issue by frequently publishing clear guidance that lays out the standards for acceptable activities. Good examples of this practice include when the Treasury Department published an [August 2019 advisory](#) related to the provision of humanitarian support to Venezuela, and when OFAC published a [June 2022 fact sheet](#) that summarized the more than 50 general licenses, regulations, and executive orders developed by the United States that enable the provision on humanitarian assistance and trade and to combat COVID-19. The U.S. government should work to expedite and reduce the cost for businesses and non-profits to request licenses and comfort letters to export humanitarian goods and services to sanctioned countries.

As part of efforts to ensure remittances and humanitarian aid do not end up in the hands of hostile governments and corrupt officials, the United States should encourage the use of VPNs and digital wallets so remittances and aid can go straight to the intended targets of family members and are not required to pass through to regime intermediaries, like those in [Cuba](#) who siphon off funds for illicit or corrupt means. Instead of distributing aid through hostile regimes, the United States and international community should look at setting up individual aid accounts through digital currencies that would only be accessible by the specific individuals through a unique digital fingerprint.

The United States should continue to build out special purpose “humanitarian channels” like the Swiss Humanitarian Trade Arrangement ([SHTA](#)) developed in conjunction with the United States to facilitate purchase of specific medicine and humanitarian goods by Iran, to address instances where existing general licenses and comfort letters are insufficient to process sales or where foreign banks will not get involved.

Finally, the United States must respond to authoritarians’ well-funded propaganda campaigns regarding U.S. sanctions. We should continually develop and execute strong messaging campaigns to foreign publics that details both how U.S. sanctions programs enable their access to humanitarian goods and services and how their oppressive governments repeatedly restrict the people’s ability to enjoy these goods for their own corrupt personal gain. For example, Special Representative for Iran Brian Hook recorded a [video](#) in July 2019 directly speaking to the Iranian people detailing the humanitarian exemptions of the Iran sanctions program, a video viewed hundreds of thousands of times inside Iran.

The United States has and should continue to help civilians suffering under authoritarian regimes. But we should never lose sight of the reality that their greatest oppressors are not economic sanctions, but the tyrants and autocrats who steal their wealth then massacre, persecute, and torture them without remorse. We must continue to use all tools of statecraft to weaken these regimes and corrupt officials, including but not limited to the use of economic sanctions.