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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

August 1, 2017

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20500

Dear Secretary Mnuchin:

We write to urge the Treasury Department to deploy additional tools to hold South Sudan's leaders accountable for the ongoing violence in their country. The United States has a strong and unique bond with the people of South Sudan and through our role in their formation of an independent state. Despite initial optimism about the future of the world's newest country, the people of South Sudan have spent the past three years entangled in a brutal conflict, which has spiraled out of control, with more than two million people internally displaced and almost two million forced from the country. The political and military leaders have hijacked and repurposed state institutions to enrich themselves and fuel violence. The international diplomatic response to date has failed, and donors have focused on the urgent necessity of providing humanitarian relief, to which the United States has contributed almost \$3 billion since December 2013.

While humanitarian assistance is urgently needed to save lives, the conflict runs the risk of continuing to spread if we do not also address the structural causes and motivating factors behind South Sudan's wide-scale violence. The United States must simultaneously address the structural problems that enable kleptocracy, incentivize violence, and prevent peace. Given the resources we have dedicated, the United States should demand a more transparent and responsible government in the future. This includes regional responsibility for impunity and the negative fiscal and human impact it has on stability and development in the region.

In conjunction with diplomatic efforts, Treasury should focus on deploying financial tools that target the financial networks of those obstructing peace and dispersing the proceeds of corruption through the region, and even through our own financial system. After billions spent to respond to the symptoms of this civil war, and your own efforts to identify perpetrators, we ask the Treasury Department to act to hold South Sudanese leaders accountable. We urge you to investigate corruption, impose network-focused sanctions, identify hidden assets, collaborate with international anti-money laundering standard setting bodies, and work with regional partners such as Uganda and Kenya to ensure that the plundered resources that belong to the people of South Sudan do not flow through their banking system and real estate markets.

This step will send a signal to Juba and the region that mis-governance by political and military elites will no longer be provided space in the international capital markets for impunity. Those fighting in South Sudan will not agree to a sustainable peace until the international community develops more robust leverage and deploys stronger pressure. We have written to the Heads of State of the sub-regional organization, the Inter-Governmental Authority on Development (IGAD), which leads South Sudan

mediation, to provide the regional pressure essential to alter South Sudan's policies of violent exclusion, and have gotten their attention. We believe the United States can increase the pressure and change the calculations of those profiting from conflict.

Our intent is to cut off the free flow of resources to the political and military elites, their families and associates. We think that can be accomplished through the following steps:

- **Focus on Uganda and Kenya.** South Sudanese officials hide the proceeds of their corruption in these two neighboring countries, which may or may not be aware of the extent of the enabling environments they provide. Banks and the international community are becoming increasingly aware of the extent of this problem, and Uganda and Kenya should act to preserve the credibility of their domestic financial systems. Your department, as well as the State Department, should engage these governments bilaterally as well as with both the Financial Action Task Force and East and Southern Africa Anti-Money Laundering (AML) Group to prompt strong action.
- **Engage with International Financial Institutions and global commercial banks.** Treasury should convene a meeting on the margins of the 2017 Annual Meetings of the World Bank Group and the International Monetary Fund in Washington in October to elevate South Sudan. In addition to outreach with governments and international bodies on these issues, it is also essential that Treasury and State raise awareness and seek action directly from banks. Given the prevalence of the U.S. dollar in South Sudanese corruption, major global banks in New York providing correspondent services have a critical role to play in ending this activity as well. Convening a meeting on the sidelines of the UN General Assembly in September to raise their awareness and issuing a press release following the meeting will send a necessary signal across the financial sector and reiterate the potential consequences in the region.
- **Impose network-focused sanctions.** Treasury's Office of Foreign Assets Control and Financial Crimes Enforcement Network must reinforce the diplomatic engagement designed to hold South Sudanese leaders accountable. These offices should not hesitate to act to disrupt South Sudanese corruption and theft and make war less profitable than peace. This should include pursuit of assets through the Kleptocracy Asset Recovery Initiative.

We recognize and appreciate the partnership of the Treasury Department across a wide variety of issues but highlight the effectiveness of our diplomacy when done in concert with other U.S. government agencies. Treasury can purposefully act in support of a durable peace that reduces civilians' immense suffering in South Sudan. We urge the Treasury Department to deploy its robust set of financial tools to end the behavior of South Sudan's leaders. Please contact our offices if you have any questions.

Sincerely,

Senator Bob Corker
Chairman


Senator Christopher A. Coons
Member

Cc: The Honorable Rex Tillerson, U.S. Secretary of State