

**Written Testimony of Austin Brush, Senior Analyst on the Natural Resources Program,
C4ADS
Subcommittee on Water, Oceans, and Wildlife, House Natural Resources Committee
“Russian Seafood Ban Implementation and Seafood Traceability” Hearing
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Mr. Chairman and distinguished members of the Subcommittee, thank you for the invitation to provide testimony in today’s hearing. It is a privilege to represent our work at C4ADS on this topic. My name is Austin Brush, and I am a Senior Analyst with the Natural Resources Program at C4ADS, a nonprofit organization dedicated to providing data-driven analysis and evidence-based reporting on global conflict and transnational security issues.

I appear before you today to discuss the importance of traceability and transparency in global seafood supply chains. Our research suggests that improvements are needed to ensure the United States does not inadvertently import seafood linked to IUU fishing, fraud, or other illicit activity. More specifically, I would like to discuss two main points:

1. How improving traceability in seafood supply chains is essential to understanding where catch originates from and where it passes through prior to its consumption; and
2. The need for greater transparency in relation to vessel and corporate ownership in order to understand who ultimately profits from the harvest, processing, and sale of seafood.

My goal is to illustrate how improved transparency and traceability in seafood supply chains can ensure the effective implementation of sanctions, trade restrictions, and import bans designed to ensure that American consumers are not unwittingly supporting the Russian economy by purchasing Russian seafood.¹ The U.S. should build off recent corporate transparency efforts and require the seafood industry to provide more thorough ownership and supply chain disclosures. Existing regulations should also be expanded to ensure enhanced traceability under the Seafood Import Monitoring Program (SIMP) and other legislation. Combined, these efforts will help ensure true supply chain traceability in the fishing industry, and will help prevent Russian seafood products from entering the United States.

Traceability in US Seafood Supply Chains

Traceability in seafood supply chains is critical for understanding where seafood products originate. This is especially important in the United States, which is one of the largest importers of seafood in the world. According to certain estimates, the U.S. imports between 85% and 90% of the seafood it consumes.^{2 3} In the absence of enhanced transparency and traceability

¹ Yozell, S. and Flemma, J. (March 16, 2022). “Are you sure the seafood you just bought isn’t Russian?” Seattle Times. Retrieved from:

<https://www.seattletimes.com/opinion/russian-seafood-ban-is-meaningless-without-real-traceability/>.

² “USA fisheries statistics: production, consumption and trade.” Food and Agriculture Administration. http://www.fao.org/in-action/globefish/countries/countries/usa/usa-trade/en/?page=7&ipp=5&tx_dynalist_pi1%5Bpar%5D=YToxOntzOjE6IkwiO3M6MToiNSI7fQ%3D%3D

³ “Global Wild Fisheries.” Fish Watch. <https://www.fishwatch.gov/sustainable-seafood/the-global-picture>.

measures, it remains challenging for American and foreign businesses to avoid trading in untraceable or illegal seafood products.

In the context of our discussion today about the recent Executive Order banning the import of Russian seafood products, this question of traceability is of the utmost importance. For example, C4ADS recently analyzed the trade of specific groundfish species between the United States and China that are not covered by SIMP. We discovered that a number of Chinese companies exporting groundfish products to the United States were simultaneously importing groundfish products from Russia in 2018. In fact, nearly a third of the Chinese companies we identified exporting groundfish to the US were also importing the same species from Russia. This raises questions about the true origins of Chinese groundfish exports and re-exports entering the United States.

This scenario, in which seafood products pass through multiple countries before arriving in destination markets, is common in the seafood industry. Tracing their movements across several different jurisdictions becomes extremely difficult given varying regulations and reporting requirements from country to country. In order to address this, there would ideally be a comprehensive global standard for transparency and reporting in seafood supply chains. In the meantime, enhanced traceability disclosure requirements in destination countries would make a significant difference.

In the United States, existing traceability measures, such as SIMP, are intended to prevent the importation of seafood linked to forced labor and other crimes by requiring enhanced reporting for seafood products.⁴ However, SIMP only applies to 13 species, which account for less than 40% of U.S. fishery imports.⁵ The gaps in SIMP's coverage leaves the United States vulnerable to importing seafood products linked to IUU fishing, forced labor, seafood fraud, and other crimes. For example, according to a recent study by the United States International Trade Commission (ITC), it is estimated that the United States imported an estimated \$2.4 billion of seafood products derived from IUU fishing.⁶ Of the major US import source countries, Russia was estimated to be one of the major exporters of IUU-linked seafood products to the United States.⁷

SIMP should therefore be expanded to encompass all seafood entering the United States as well as chain of custody data, such as information pertaining to all processing facilities and trading companies that interact with a seafood product. These improved

⁴ "U.S. Seafood Import Monitoring Program." National Ocean Council Committee on IUU Fishing and Seafood Fraud. Retrieved from: <https://www.iuufishing.noaa.gov/RecommendationsandActions/RECOMMENDATION1415/FinalRuleTraceability.aspx>.

⁵ "Re: NOAA Seafood Import Monitoring Program – Robust Implementation and Expansion." <https://www.nrdc.org/sites/default/files/noaa-simp-expansion-and-implementation-letter-20190429.pdf>.

⁶ "Seafood Obtained via Illegal, Unreported, and Unregulated Fishing: U.S. Imports and Economic Impact on U.S. Commercial Fisheries" (February 2021). United States International Trade Commission. Retrieved from: <https://www.usitc.gov/publications/332/pub5168.pdf>.

⁷ Ibid.

requirements would help illuminate seafood supply chains in their entirety, from the point of catch to processing, export, and import. In doing so, American seafood companies and government authorities would, with a much higher degree of confidence than is currently possible, be able to prevent Russian seafood from entering the U.S. market.

Vessel and Corporate Ownership Transparency

Lacking transparency and beneficial ownership disclosure requirements in the seafood industry mean that the people and companies behind key industrial fishing fleets remain relatively unknown.⁸ Companies are able to hide their true ownership using complex, cross-jurisdictional corporate structures; secrecy jurisdictions; and the use of shell or front companies.⁹ These methods can be used to separate a range of illegal fishing and other violations, including illegal access to fishing quotas and vessel authorizations, document forgery, vessel identity fraud, forced labor, crew labor abuses, and tax evasion, from the individuals ultimately profiting from that activity.¹⁰

Complex and opaque ownership structures in the seafood industry also enable the laundering of illicit or untraceable catch into global seafood supply chains, meaning American companies and consumers may be unknowingly supporting these activities. Furthermore, research has also shown that the use of ‘open’ vessel registries, which have particularly low requirements for registration and are open to foreign vessels, can further obscure the identity of beneficial owners of fishing vessels. The practice of flagging out to flags of convenience can further disguise the true beneficiary of a vessel and its activities at sea. This practice is not limited to fishing vessels – it is also frequently employed by vessels attempting to evade sanctions or engage in other illicit trades, such as North Korea sanctions evasion activities.¹¹

In order to ensure compliance with the Executive Order banning Russian seafood from entering the United States, it will be critical to understand who owns industrial fishing vessels and seafood companies around the world. This is particularly relevant for Russian seafood companies, which are frequently linked to politically exposed persons (PEPs) and potentially

⁸ “Who Controls the Distant Water Squid Fishing Fleet?” (March, 2022). C4ADS. Retrieved from: https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/6227b37c99c14857172166b4/1646769046233/Squid+Fleet_Brief.pdf.

⁹ “Spotlight on the Exploitation of Company Structures by Illegal Fishing Operators.” Trygg Mat Tracking and C4ADS. Retrieved from: https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/5fd21567ce71ee580fb1cb72/1607603565040/TMT-C4ADS_Spotlight+on+Transparency.pdf.

¹⁰ “The Role of Beneficial Ownership in Combating IUU Fishing.” Rusi, Trygg Mat Tracking, and C4ADS. Retrieved from: <https://c4ads.org/blogposts/2021/6/4/the-role-of-beneficial-ownership-in-combating-iuu-fishing>.

¹¹ For registries that are often classified as providing flags of convenience, and see vessel registration as a source of revenue rather than a utility that the government provides for the registration of vessels with tangible links to the state, investing further resources to raise its regulatory standards not only cuts into their bottom line, but also renders them less attractive to vessel operators seeking low regulation environments. See:

<https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/613b9610b3cdba196d524b8b/1631294997128/Unmasked+-+North+Korea+Vessel+Identity+Laundering.pdf>

sanctioned oligarchs. We have spent the past couple weeks screening for potential sanctions risk linked to Russian seafood companies, and have already found a number of examples of connections between these companies and Russian oligarchs or politicians. For example, we discovered that one major Russian seafood company was owned by the son-in-law of a Russian individual who has been sanctioned since 2014. The son-in-law was sanctioned by the US Department of the Treasury on March 24, 2022.¹² In response, he sold all of his stakes and resigned from management from at least two major Russian fishing companies.¹³

Although increasing the transparency of beneficial ownership data is a critical step to ensure true traceability and accountability in the seafood industry, disclosing beneficial ownership is not currently required of most fishing vessels and seafood companies. Just as the Corporate Transparency Act established beneficial ownership reporting requirements for certain businesses, U.S. policymakers should expand SIMP to include beneficial ownership reporting requirements for fishing vessels and seafood companies. Without this information, it can be difficult to know which vessels and companies are ultimately owned by Russian individuals. Furthermore, detailed beneficial ownership information is needed to hold the beneficiaries of illegal and illicit activity in the seafood industry accountable. Any beneficial ownership information should be made publicly available in order to support enhanced industry due diligence and civil society research focused on the continued improvement of transparency in seafood supply chains.

Conclusion

Lacking transparency and traceability is a major obstacle to the successful implementation of Russian sanctions and the recent seafood import ban. The expansion of SIMP to encompass all seafood species entering the United States, chain of custody data, and beneficial ownership reporting is critical to ensuring that Russian seafood cannot enter the United States. As a major importer of seafood and a leader in effective fisheries management, the United States has an opportunity to set the gold standard for transparency and traceability in the seafood industry by implementing these changes.

More broadly, the effective implementation of sanctions requires broader transparency initiatives to help elucidate the offshoring of wealth and use of low transparency jurisdictions to hide ownership. The methods used to obfuscate ultimate beneficial ownership by other actors engaging in illegal activities are not drastically different from IUU vessel owners. The same data gaps and low transparency that undermine traceability in seafood supply chains also enable countries and individuals to hide wealth through assets like property, ships, and companies all over the world.

¹² “Russia-related Designations; Publication of new Frequently Asked Questions” (March 24, 2022). US Department of the Treasury. Retrieved from: <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220324>.

¹³ Chase, C. (March 28, 2022). “Gleb Frank sells Russian Fishery Company and Russian Crab as sanctions hit”. Seafood Source. Retrieved from: <https://www.seafoodsource.com/news/business-finance/gleb-frank-sells-russian-fishery-company-and-russian-crab-as-sanctions-hit>.