

October 30, 2012

The Honourable Leung Chun-ying
Chief Executive of the Hong Kong Special Administrative Region
Chief Executive's Office
1 Tim Wa Ave
Admiralty, Hong Kong

Mr. S.F. Wong
General Manager/Shipping Registry & Seafarers Branch
Hong Kong Shipping Register
Marine Department
3/F, Harbour Building
38 Pier Road
Central Hong Kong

Re: Hong Kong and IRISL

Dear Chief Executive Leung and Mr. Wong:

United Against Nuclear Iran ("UANI") is writing to express its concern with Hong Kong and the Hong Kong Shipping Register's (collectively "Hong Kong") extensive business with the Islamic Republic of Iran Shipping Lines ("IRISL") and reflagging of IRISL vessels. As you should know, Hong Kong hosts a number of sanctioned IRISL front companies and is currently reflagging as many as 19 vessels owned, managed, or operated by IRISL. Some of these IRISL vessels are deployed as part of the regime's latest effort to circumvent international sanctions by importing metallurgical coal used in steel production. (U.S. Treasury: [Treasury Designates 24 Shipping Companies Affiliated with IRISL](#)) (*Hareetz*, "[Iran's coal-shipping trade booms, despite Western sanctions](#)," 10/26/12) By a partnering with IRISL, Hong Kong is undermining U.S., EU, and UN sanctions and enabling the Iranian regime to continue its illicit nuclear proliferation activities as well as arms shipments to its proxies and allies in the region, including the brutal Syrian regime.

UANI initiated its Shipping Campaign to compel international shippers, certification firms and governments worldwide to cease their business with IRISL, NITC and the Iranian regime. As you know, the Iranian regime and its illegal nuclear weapons program are dependent on the international shipping industry for imports of sensitive technology and industrial goods as well as for the exports of oil needed to fund its illicit activities.

In response to UANI's campaign, IACS members ClassNK, Korean Register of Shipping, Bureau Veritas, Germanischer Lloyd, and Russian Maritime Register of Shipping joined Det Norske Veritas and Lloyd's Register in ceasing all maritime activities related to Iran. Moreover,

the U.S., EU and UN have sanctioned IRISL as well as IRISL subsidiaries and shell companies, and the UN Security Council has warned member states to be vigilant of and take action against IRISL's deceptive practices. (*Reuters*, "[Exclusive: Iran flouts U.N. sanctions, sends arms to Syria](#)," 5/16/12) Following the responsible decisions made by the governments of Sierra Leone, Tuvalu, Mongolia and Moldova to de-flag Iranian vessels, Hong Kong remains one of the few outliers that IRISL and the Iranian regime can rely on for extensive ship flagging services. UANI calls on Hong Kong to follow the lead of these responsible members of the international community and cease the flagging of all Iranian vessels.

Hong Kong authorities should also be aware of recently enacted U.S. sanctions that could seriously affect the over \$36 billion in annual trade between the U.S. and Hong Kong should Hong Kong government entities continue to partner with IRISL. (U.S. Census Bureau: [U.S. Trade with Hong Kong](#)) For example, Executive Order 13608 permits the sanctioning of foreign persons known to engage in activities intended to evade U.S. economic and financial sanctions. Through its reflagging of IRISL vessels, Hong Kong has "...violated, attempted to violate, conspired to violate, or caused a violation of any license, order, regulation, or prohibition contained in, or issued pursuant to...the extent such conduct relates to property and interests in property of any person subject to United States sanctions concerning Iran or Syria..." (U.S. Federal Register: [Executive Order 13608](#) of May 1, 2012)

In addition, on August 10, 2012, President Obama signed into law the "*Iran Threat Reduction and Syria Human Rights Act of 2012*," which will impose sanctions on nations that assist Iran in evading existing sanctions. Specifically, Section 202 calls for the sanctioning of any person, including any government, that "owns, operates, or controls the vessel, in a manner that conceals the Iranian origin of crude oil or refined petroleum products transported on the vessel, including by—(i) permitting the operator of the vessel to suspend the operation of the vessel's satellite tracking device; or (ii) obscuring or concealing the ownership, operation, or control of the vessel by—(I) the Government of Iran; (II) the National Iranian Tanker Company or the Islamic Republic of Iran Shipping Lines; or (III) any other entity determined by the President to be owned or controlled by the Government of Iran or an entity specified in subclause (II)."

Moreover, Section 211 calls for the sanctioning of any person, including any government, that "knowingly sells, leases, or provides a vessel or provides insurance or reinsurance or any other shipping service for the transportation to or from Iran of goods that could materially contribute to the activities of the Government of Iran with respect to the proliferation of weapons of mass destruction or support for acts of international terrorism." (U.S. Federal Register: *Iran Threat Reduction and Syria Human Rights Act of 2012*)

The international community has taken unprecedented steps to counter the grave threat posed by Iran's illicit nuclear weapons program. Concentrated international pressure is having a profound impact in driving Iran to the negotiating table. In the past year, Iranian oil exports have been cut in half and Iran's economy faces rampant inflation. Now is the time to exert maximum pressure on Iran if we are to avoid a potentially disastrous conflict in the world's most volatile region.

It is incumbent on all of us – private citizens, governments and corporations alike – to take concrete steps to oppose this ongoing and dangerous threat. Hong Kong's reflagging of IRISL vessels and hosting of IRISL front companies appear to violate multilateral sanctions and cast a shadow over Hong Kong's international reputation. It is time for Hong Kong to end its business with IRISL.

Please let us hear from you by November 8, 2012 concerning Hong Kong's intentions regarding its business with IRISL and reflagging of IRISL vessels.

Thank you for your immediate attention to this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Mark Wallace", written in a cursive style.

Ambassador Mark D. Wallace

cc: The Honorable Ileana Ros-Lehtinen
Chairman, United States House Committee on Foreign Affairs

The Honorable Howard L. Berman
Ranking Member, United States House Committee on Foreign Affairs

The Honorable Tim Johnson
Chairman, United States Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Richard C. Shelby
Ranking Member, United States Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Spencer Bachus
Chairman, United States House Committee on Financial Services

The Honorable Barney Frank
Ranking Member, United States House Committee on Financial Services

The Honorable David S. Cohen
Under Secretary for Terrorism and Financial Intelligence, United States Department of the Treasury

The Honorable Adam Szubin
Director, Office of Foreign Assets Control

Ambassador Stephen M. Young
Consul General of the United States to Hong Kong

Mr. Daniel Tong
Hong Kong Commissioner for Economic and Trade Affairs