



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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REGARDING A HEARING ON

“Improving Export Controls Enforcement”

BEFORE THE

UNITED STATES SENATE
COMMITTEE ON HOMELAND SECURITY & GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON EMERGING THREATS AND SPENDING OVERSIGHT

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342 Dirksen Senate Office Building
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Chair Hassan, Ranking Member Romney, and distinguished members of the Subcommittee on Emerging Threats and Spending Oversight.

HSI Counter-Proliferation Program

Export enforcement is more important than ever as we see our adversaries' persistent appetite for U.S. technology. An analysis of Russian military equipment in Ukraine showed how dependent the Russians are on Western manufacturing, in particular U.S. technology.¹ However, Russia is not the only nation integrating U.S. technology into military weapons systems. In August of 2022, Russian forces in Ukraine were utilizing Iranian-made Shahed-131 and Shahed-136 drones.² Some of the drones' microchips and global positioning components were of U.S. origin.³ Homeland Security Investigations (HSI) has been proactively investigating these misuses of U.S. technologies, which further illuminates the importance of export enforcement.

The HSI Counter-Proliferation Investigations (CPI) program was designed to protect the integrity of the U.S. export control system; prevent the unlawful export of sensitive U.S. commodities software, technology and services; and counter the threats posed by foreign adversaries, terrorist, and criminal networks seeking to acquire such items. HSI addresses these export concerns in a three-pronged approach: interdiction, investigations, and international cooperation. Furthermore, the HSI authority and experience in export enforcement originates with our predecessor agency, the U.S. Customs Service, preceding the creation of the Department of Homeland Security. HSI Special Agents still retain that same Customs authority. This unique authority allows HSI the flexibility to target illicit networks that utilize the global trade system to procure sensitive U.S. technology. The smuggler's method and diversion routes are not unique to any merchandise being illegally exported. The Customs Service recognized the importance of industry support and, in 1983, established its first public awareness program on export control, Project Gemini. HSI addresses trade system vulnerabilities as an agency by utilizing all the investigative disciplines within its portfolio.⁴ HSI continues to promote public awareness through a successor outreach program, Project Shield America. The Project Shield America presentations are designed to alert businesses within the export industry that their commodities, technology, or information may be destined for an inappropriate end-use, end-user, or destination.

HSI's CPI program is divided into three units: the Counter-Proliferations Investigations Unit; the Counterproliferation Mission Center (CPMC), formerly Exodus Command South; and the Export Enforcement Coordination Center (E2C2). Each unit focuses on specific export programs while working together to address broader export enforcement issues. The E2C2 was established by Executive Order 13558 under President Barack Obama. The E2C2 promotes a whole-of-government approach to export enforcement by ensuring interagency coordination and interagency

¹ James Byrne et al., *The Orlan Complex: Tracking the Supply Chains of Russia's Most Successful UAV*, (London, United Kingdom: Royal United Services Institute, December 2022), 9-10, <https://static.rusi.org/SR-Orlan-complex-web-final.pdf>.

² Knights, Michael and Alex Almeida, "What Iran's Drones in Ukraine Mean for the Future of War," The Washington Institute for Near East Policy, November 10, 2022, <https://www.washingtoninstitute.org/policy-analysis/what-irans-drones-ukraine-mean-future-war>.

³ "Explainer: American Parts in Iranian Drones," United States Institute of Peace, March 1, 2023, <https://iranprimer.usip.org/blog/2023/mar/01/explainer-american-parts-iranian-drones>.

⁴ *Seizure of Iraqi Assets: Testimony before the Subcommittee on Commerce, Consumer Protection, and Competitiveness*, 102nd Cong 4 (1991) (statement of John C. Kelley, Jr., U.S. Customs Strategic Investigations Director).

collaboration, minimizing duplication of efforts, and strengthening the link between law enforcement, U.S. intelligence, and export licensing entities. The E2C2 is led by an HSI director, with deputies from the Departments of Commerce and Justice.⁵

The People's Republic of China

The People's Republic of China (PRC) is the only near-peer with highly advanced military and technological power to compete with the United States. As stated in the National Counter-Intelligence Strategy for 2020-2022, the PRC operates worldwide using all instruments of national power to target the United States.⁶ The Chinese Government, Chinese-based transnational criminal organizations, and non-traditional Chinese operatives routinely violate customs and immigration laws enforced by HSI. These activities subvert U.S. laws in pursuit of the PRC's own national, economic, and military interests and jeopardize U.S. national and financial security.

For example, China has implemented policies which encourage or require the transfer of American technology and intellectual property to entities in China. These actions may hinder U.S. exports, deprive U.S. citizens of fair remuneration for their innovations, divert American jobs to the PRC, and otherwise undermine American manufacturing and innovation.⁷

To enhance the HSI efforts to counter these persistent and evolving threats, HSI launched Operation Red Umbrella in October of 2020, a multi-pronged strategic action plan designed to combat PRC related criminal activity. Operation Red Umbrella's strategy rests upon a whole-of-agency approach to enhance efforts to counter China across various HSI programmatic disciplines. The strategy advocates a cooperative enforcement approach to identify and dismantle PRC related criminal organizations violating U.S. laws and uphold U.S. security and public safety interests. HSI also seeks to prevent the exploitation of sensitive research, the probing of critical infrastructure, and the coordinated efforts of the PRC related to illicit Chinese finance activity, transnational repression, fentanyl smuggling, human trafficking, and a myriad of other related threats. Due to PRC-related efforts, HSI initiated 32 percent more export and sanction cases in Fiscal Year (FY) 2023 than in FY 2022.

Russian Federation

Russia has repeatedly employed unfair and illegal methods to acquire commodities and technologies needed to advance its national objectives. Russia is increasing its non-conventional military capabilities through emerging and disruptive technologies, including artificial intelligence, space capabilities, hypersonic weapons, quantum information science, and biotechnology. Beyond strengthening itself, Russia may also facilitate illicit proliferation to amplify instability around the world.

⁵ Exec. Order No. 13558, 3 C.F.R. 69573 (2010), <https://www.govinfo.gov/content/pkg/FR-2010-11-15/pdf/2010-28854.pdf>.

⁶ National Counterintelligence and Security Center, *National Counterintelligence of the United States of American for 2020-2022* (Washington, DC: Office of the Director of National Intelligence, 2020), 2 https://www.dni.gov/files/NCSC/documents/features/20200205-National_CI_Strategy_2020_2022.pdf.

⁷ U.S. President, Memorandum, "Addressing China's Laws, Policies, Practices, and Actions Related to Intellectual Property, Innovation, and Technology, Memorandum of August 14, 2017," *Federal Register* 82, no. 158 (August 17, 2017): 39007, <https://www.federalregister.gov/documents/2017/08/17/2017-17528/addressing-chinas-laws-policies-practices-and-actions-related-to-intellectual-property-innovation>.

After the Russian invasion of Ukraine, HSI coordinated an agency-wide effort focused on Russian state-owned industries, financial institutions, government officials, and oligarchs who flagrantly disregarded U.S. export controls and economic sanctions. Furthermore, in support of the Department of Justice's Kleptocapture Task Force, HSI worked to identify, locate, and bring to justice those individuals who were enabling the Russian regime to continue its unprovoked invasion of Ukraine. HSI will continue to use its civil and criminal asset forfeiture authorities to seize and forfeit assets linked to sanctioned individuals and/or proceeds of unlawful conduct that empower the Russian Government to continue the Russia-Ukraine war.

Additionally, HSI is leveraging Ukraine battlefield exploitation to identify U.S. components used within Russian weapon systems and target those procurement networks engaged in resupply efforts. With the data from these efforts, HSI develops leads for its domestic and international offices to target the proliferation networks, brokers, end-users, finances, and front companies that Russia uses to subvert U.S. and Western export controls and sanctions. Russian efforts to procure U.S. technology has led to an 85 percent increase in HSI case initiations on Russian tied export and sanction investigations from FY 2022 to FY 2023.

Lastly, to ensure deconfliction and coordination, E2C2 leads an interagency working group that shares information on Russian diversion efforts. The team comprises personnel from the Department of Commerce's Bureau of Industry and Security, HSI Counterproliferation Mission Center, U.S. Customs and Border Protection, and Department of Energy. The working group analyzes U.S. export and open-source trade data to identify trends indicating possible diversion of U.S. goods.

Islamic Republic of Iran

The Iran Islamic Revolutionary Guard Corps (IRGC) and the IRGC Quds Force (IRGC-QF), designated foreign terrorist organizations, utilize an expansive network of shell companies to avoid sanctions, exploit the U.S. financial system, and generate revenue to fund and support Iranian-backed terrorist groups, ballistic missile and nuclear weapons development, and the acquisition of a multitude of other defense articles and dual-use commodities for the Iranian regime.

HSI is well-positioned to address the Iran national security and public safety dangers through its global footprint, wide-ranging statutory authorities, and worldwide strategic partnerships. To counter these persistent and evolving threats, HSI launched an initiative focused on the illicit sales of Iranian-origin petroleum products violating U.S. and United Nations sanctions. To date, HSI and its partners have seized 4.8 million barrels of petroleum products aboard eight Iranian or IRGC-QF-associated tankers with an estimated value of \$289 million. Approximately \$11 million dollars of other assets related to the sale of IRGC petroleum were frozen by the Treasury Office of Foreign Assets Control and seized by HSI when the proceeds were discovered transiting the U.S. financial system. Additionally, HSI seized roughly \$35 million in currency from IRGC-QF-linked groups linked to the sale of oil products. It is estimated that the Iranian Government allocates \$5.1 billion to the IRGC from annual oil sales revenue. Based on these figures, HSI tanker seizures

have eroded over 4 percent of the IRGC yearly oil revenue allocation.⁸ Also, Iranian efforts to procure U.S. technology led to a 60 percent increase in Iranian tied HSI case initiations from FY 2022 to FY 2023.

In response to the Israel-Hamas conflict, HSI, under E2C2, initiated a working group of export enforcement agencies to address Hamas or Hezbollah procurement networks attempting to obtain U.S.-controlled commodities. The team comprises HSI; the Bureau of Industry and Security; U.S. Customs and Border Protection; the Department of State's Directorate of Defense Trade Controls; the Treasury Office of Foreign Assets Control; and the Department of Defense. This initiative employs a multi-prong approach, providing analytical support to agencies with current investigations, reviewing trade data to identify anomalies or suspicious patterns, and providing targeting insights within those regions' shipping networks.

Conclusion

HSI invests substantial effort and resources into export enforcement, even as illicit procurement networks become ever more resourceful in evading controls and sanctions. To overcome these challenges, HSI will continue to work with its export enforcement partners to combat foreign adversaries who seek to exploit American innovation and illegally acquire sensitive U.S. technology. Thank you for holding this important hearing, and I look forward to your questions.

⁸ Patrick Clawson, "Iran's Next Budget Assumes No Nuclear Deal," *The Washington Institute for Near East Policy Watch* 3558, (December 2021): para 9, <https://www.washingtoninstitute.org/policy-analysis/irans-next-budget-assumes-no-nuclear-deal>.