



**U.S. Senate Committee on Homeland Security and Governmental Affairs  
Permanent Subcommittee on Investigations**

**Hearing on “The U.S. Companies’ Technology Fueling the Russian War Machine”**

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Chair Blumenthal, Ranking Member Johnson, and Members of the Subcommittee, thank you for inviting me to testify. I am the Chief Trade Officer and General Manager of the International Trade Group of Intel Corporation, a global leader in semiconductor technology and manufacturing. I have focused on issues of global trade at Intel for more than 30 years. Today, as Intel’s top trade representative, I am responsible for making key decisions on trade matters and advising on Intel’s strategy across international trade policy, laws, regulations, and compliance. In addition, as Chief Trade Officer, I oversee Intel’s Export Controls and Sanctions (ECS) compliance program.

**An Overview of Intel**

Intel is proud to be an American company and to play an important role in advancing the U.S. technology industry. For more than 50 years, Intel has created world-changing technology that improves lives at home and abroad. Since its inception, uncompromising integrity, quality, and professionalism have been the cornerstones of Intel’s business. In all that we do, Intel supports and upholds a set of core values and principles while working to create a more responsible, inclusive, and sustainable world, enabled by our technology and the expertise and passion of our employees.

While Intel operates globally, the majority of our employees are located in the United States, and we are actively growing our manufacturing and development centers in Arizona, New Mexico, Ohio, and Oregon. We estimate that Intel’s work in the United States generates more than 700,000 additional U.S. jobs through a large manufacturing ecosystem.

**American Leadership is Critical in the Global Semiconductor Industry**

We are proud to be at the forefront of the global semiconductor industry—which is critically important to U.S. technological leadership, as well as U.S. economic and national security. As the only leading-edge U.S. semiconductor company that both develops and manufactures its own technology, we are committed to making the United States the leader in advanced chip manufacturing. This is why Intel is investing \$100 billion over five years to expand our semiconductor technology development and manufacturing operations in the United States. In 2023 alone, Intel invested \$16 billion in Research and Development (R&D) and another \$25.8 billion in capital expenditures, a majority of which occurred in the United

States. This investment drives innovation not just in chip design, but also in process technology that enables the increasingly complex manufacturing of leading-edge chips in the United States.

We are committed to acting ethically and responsibly in all jurisdictions where we operate. Intel does not pursue unauthorized business activities with parties subject to U.S. sanctions or sanctions imposed by any other applicable jurisdiction. Intel holds our customers, suppliers, and other third parties to these same standards. In addition, Intel does not currently sell to parties in the following countries or territories:

- Russia;
- Belarus;
- Cuba;
- Iran;
- North Korea;
- Syria; and
- Certain regions of Ukraine, including Crimea, the areas known as the Donetsk People's Republic and the Luhansk People's Republic, Kherson, and Zaporizhzhya.

To remain at the forefront of the global semiconductor industry, however, it is imperative that we operate globally, where legally permitted to do so. Indeed, as the Office of the U.S. Trade Representatives has noted, nearly 95 percent of the world's consumers and roughly three quarters of world purchasing power are outside America's borders. We recognize that doing business in certain foreign jurisdictions, even where legally permissible, may present risk. That is why we invest extensively in our compliance programs, including our first-class sanctions and export controls processes. Compared to foreign competitors, our global leadership position empowers us as an American company to continue investing significant revenue into our massive construction projects and leading-edge R&D here in the United States.

### **Intel's Approach to Export-Control Compliance**

According to the World Semiconductor Trade Statistics organization, the global semiconductor industry shipped 1.15 trillion chips worldwide in 2021. The ubiquity of chips in a range of consumer products makes controlling the movement of these items an issue of magnitude and complexity that requires the dedication and support of industry, government, and non-governmental organizations (NGOs). As part of Intel's commitment to good corporate citizenship and making a positive global impact, we maintain robust sanctions and export controls compliance processes.

Established over 30 years ago, Intel's comprehensive ECS compliance program not only meets but exceeds government standards for trade compliance. We designed our program to comply with the most stringent regulations governing export controls, beyond just aligning with the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) Framework for OFAC Compliance Commitments and the U.S. Department of Commerce's Bureau of Industry and Security (BIS) Elements of an Effective Export Compliance Program. In particular, the ECS program is designed to adhere to U.S. trade laws and regulations, including:

- U.S. Export Administration Regulations;

- U.S. International Traffic in Arms Regulations;
- OFAC’s sanctions and embargo programs;
- U.S. customs laws governing valuation, tariffs, origin, marking and labeling; and
- U.S. Department of Commerce and Internal Revenue Service anti-boycott regulations.

A cornerstone of Intel’s ECS compliance program is our “know your customer” efforts, which identify potential compliance concerns through automated screenings to identify potential matches against applicable restricted party lists within our transactions and business activities, among other ways. These efforts apply to all third parties with whom we do business, including our distributor relationships, as discussed further below. Additionally, Intel requires its customers to comply with all trade laws and regulations that govern the export and import of Intel’s products, services, software, and technical data. Intel customers are held to these requirements throughout the business relationship, and we do not tolerate violations.

Prior to doing business with customers in certain jurisdictions, Intel conducts enhanced due diligence. As described below, in addition to screening third parties with whom we do direct and indirect business against published government sanctions and restricted parties lists, we also maintain an internal list of parties with whom we do not want to do business, even where not prohibited by law. This list is not limited to export concerns, and also can include entities identified because they present commercial or reputational concerns. For example, a company determined to be a credit risk could be added to our internal list to ensure that we do not conduct sales to the company. Trade-related red flags could also warrant inclusion on our internal list, such as refusal to certify that Intel provided items will not be forwarded to Russia or where our own research indicates a previously undisclosed connection to a restricted party.

We recognize that the regulatory, technological, and risk environments are constantly changing. That is why our ECS compliance program is a “living” program. We constantly work to improve and adapt, including incorporating additional tools and technology to further reduce risk. For example:

- We work with internal partners to understand new business activities and adapt our program accordingly to ensure compliance.
- We annually evaluate the effectiveness of our compliance program and work to identify new or increasing risks and identify/implement appropriate mitigation.
- In 2022, we hired a full-time compliance specialist to evaluate and enhance the effectiveness of our compliance program as it relates specifically to Russian sanctions.
- When changes to regulations or Intel’s offerings could impact the risk profiles of Intel products, we conduct “impact assessments” and make changes to our compliance processes to reflect new or changed risks.

### **Intel’s Sales Model**

Intel is a global Integrated Device Manufacturer (IDM) of general-purpose microprocessors and related solutions that we design, develop, manufacture, market, and sell. Like others in the semiconductor industry, we do not typically sell directly to end-customers. Rather, we sell the vast majority of our products to large manufacturers, who in turn integrate our products into commonplace commercial items,

such as many of the household-name-brand laptops, phones, and other devices utilized by consumers every day across the globe.

A much smaller percentage of our sales are through authorized distributors, which is a common model in the semiconductor industry, as well as many others. We sell to a select group of vetted distributors, who then resell our products to their customers. The distributor model has several advantages. Most notably, distributors serve as a single source for customers who demand products from multiple manufacturers. Distributors also provide credit lines, logistics, and technical support to smaller customers who may operate with fewer resources.

We take great care to subject all of our distributors and direct customers to extensive due diligence and vetting, in strict accordance with export laws, sanctions, and regulations. As part of our due diligence process, Intel:

- Screens all potential distribution partners and direct customers against government prohibited/restricted party lists, as well as our internal lists;
- Contractually requires all distribution partners and direct customers to comply with U.S. export controls and all other applicable laws, among other terms and conditions; and
- Sends letters to customers notifying them of regulatory changes, particularly when we believe there is ambiguity in whether a control applies.

We also subject all distributors and direct customers to regular audits. As part of this work, we obtain reports on sales and inventory that we review for red flags. These reports list our customers' customers, whom we also screen against government and internal restricted party lists. The vast majority of our audits are completed without issue. To the extent we identify potential concerns, we investigate and take all necessary action. This could include the termination of a customer relationship.

### **Intel's Efforts Since Russia's Invasion of Ukraine & Cooperation with Industry and Government Partners**

We condemn Russia's war against Ukraine in the strongest possible terms and continue to stand with the people of Ukraine and the global community in calling for an immediate end to this war and a swift return to peace. Intel suspended all operations in Russia in the spring of 2022, including shipments to customers in both Russia and Belarus. We also wound down our staff operations swiftly in Russia, which at the time of the invasion included approximately 1,200 employees and 350 contingent workers. Further, Intel and the Intel Foundation launched a series of efforts to provide humanitarian aid to individuals and families affected by the war in Ukraine. The Intel Foundation matched donations by Intel employees, for a total of more than \$2 million in donations, including the Foundation match.

As described above, trillions of chips are shipped worldwide annually. Tracing downstream transactions is complex. We do not want our products being diverted in violation of export controls or used in any way that violates human rights. And we are committed to doing our part to address these issues.

No matter how many controls we put into place, there will always be bad actors working to circumvent export controls to bolster Russia or other adversarial entities. This issue is not specific to Intel or semiconductor manufacturers. That is why we need a comprehensive approach to addressing these issues. It will take participation from, and collaboration among, industry, NGOs, government, and others.

We remain committed to working with these parties to remedy issues and develop comprehensive solutions. For example, we are collaborating with U.S. government agencies, including on BIS's Technical Advisory Committees (TACs). The TACs are comprised of industry and government representatives specifically to advise on technical parameters for export controls and the administration of those controls. We have also been actively collaborating with both NGOs and U.S. federal agency partners on trace requests to identify and stop diversions of our products.

Moreover specifically, Intel is engaged in ongoing work with representatives from the U.S. Department of Commerce, State, and Treasury to share information and align best known practices to prevent illicit product diversions. This interagency engagement has been extremely productive, leading Intel to communicate with our customers on high-risk entities and request that they follow Intel's lead in preventing sales to these parties above and beyond what is required by U.S. law. Whether stopping shipments when we become aware of illicit uses or helping to hold bad actors accountable for their intentional efforts to undermine trade controls, we value these partnerships and collaborative efforts, which are integral to accomplishing our shared goal.

We would again like to thank Chair Blumenthal, Ranking Member Johnson, and Members of the Subcommittee. We are grateful for the opportunity to testify regarding our compliance with U.S. export controls. We look forward to furthering our combined efforts to combat illicit chip diversion and continuing to work with this Subcommittee to advance our common goals.