



Damien Spleeters, Deputy Director of Operations, Conflict Armament Research
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Thank you, Chairman Blumenthal, Ranking Member Johnson, and distinguished members of this Subcommittee. My name is Damien Spleeters, and I am the Deputy Director of Operations at Conflict Armament Research (CAR).

CAR is an independent research organization that investigates the diversion of weapons and related commodities in conflicts around the world.¹

What distinguishes us from other organizations is our boots-on-the-ground approach, coupled with a robust tracing process, resulting in evidence-based, first-hand findings. What that means is that we send investigators to active conflicts to access weapons and other commodities recovered from the battlefield. Such items usually bear lot, batch, or serial numbers, which our investigators document in detail. We then work with industry, to understand how the documented items were diverted, and identify the entities responsible for this diversion.

What is commonly known now could not have been imagined two years ago when we started doing this work in Ukraine: Russian, Iranian, and North Korean weapons are full of semiconductors bearing the marks of American and European companies. These semiconductors vary in sophistication and importance, but it is fair to say that without them, Russia, Iran, or North Korea would not be able to sustain their war effort.

This is both a curse and a blessing. A curse, because US-led technological advancement is being diverted by US adversaries for use against US interests. A blessing, because it means the US and its allies can critically impact the ability by Russia, Iran, and North Korea, to produce weapons.

Western companies design chips made by specialized plants in other countries, and they sell them by the millions with little visibility over the supply of their products beyond one or two layers of distribution.

This creates and sustains narratives that are at odds with facts: That Russia rips off chips from household appliances like washing machines; that Russia buys them on major online retailer websites; that these chips are so common, and the visibility over supply chains so limited, that it's impossible to trace them and identify their points of diversion. These narratives couldn't be further from the truth. Russia acquires chips using third-country distributors, which can be identified.

¹ <https://www.conflictarm.com> for more information. CAR's Ukraine findings can be found at <https://ukraine-2021-itrace.hub.arcgis.com/pages/case-studies>

CAR does it by utilizing a method we've developed over the past decade. It's the "4 T's":

- Tracking and documenting commodities;
- Tracing them with industry;
- Triangulating responses; and
- Trade mapping.

CAR has taken apart more than 220 Iranian, North Korean, and Russian weapon systems in Ukraine in the past two years, documenting more than 10,000 semiconductors and identifying more than 250 entities linked to their production. We've issued more than one thousand trace requests, yielding more than 350 responses.

Compiling responses has allowed us to triangulate entities of interest for further investigation. Pooling information, in collaboration with industry, enables CAR to generate data that would otherwise be inaccessible to isolated manufacturers.

CAR then looks at the trade profiles of identified historical customers and discerns whether they continue to acquire semiconductors through third-country entities.

We have so far confidentially identified more than 200 non-sanctioned companies of interest—half of which are not Russian—linked to the acquisition or transfer of semiconductors.

Based on this work, we can make the following recommendations:

- Field monitoring and documentation is important to generate primary information on diversion patterns, and should therefore be prioritized.
- Coordination between government, industry, and civil society leads to the identification of diversion by specific entities. Such identification could not have happened without the collaborative and holistic approach CAR has elected to undertake. Such coordination should thus be supported and increased.
- If manufacturers required point-of-sale data from their distributors, this would greatly improve their ability to trace recovered semiconductors and identify problematic supply networks.
- In cases where strict confidentiality clauses prohibit information sharing, companies should consider whether the evidenced diversion of their goods is sufficient reason to waive confidentiality for the purposes of cooperating with international tracing efforts.
- A lack of sales records has made the tracing of semiconductors more difficult. Industry should consider improving recordkeeping.
- Although control lists and end user certificates are important methods to counter the diversion of goods to unauthorized users, they cannot solely be relied on to stop unauthorized acquisition.

I thank you for the opportunity to appear before you today and I look forward to answering your questions.