The committee met, pursuant to call, at 10:15 a.m., in Room 2172, Rayburn House Office Building, Hon. Gregory Meeks [chairman of the committee] presiding.
Chairman Meeks. [Presiding.] The Committee on Foreign Affairs will come to order.

Over the past five months, we have seen Russia engage in an unjustified and inhumane war against Ukraine. This past week, Russian cruise missiles leveled the Ukrainian city of Vinnytsia, in an act President Zelenskyy described as "an act of Russian terror" that killed over 20 and injured over 100 civilians. Russia's inhumane and despicable war has led to the death of approximately 5,000 Ukrainian civilians, including 400 children. With its indiscriminate bombing of cities and murder of countless captured civilians, Russia is being investigated for over 23,000 war crimes. Through it all, the world has seen and been inspired by the bravery of the Ukrainian people.

Putin naively thought the Ukrainian people would buckle under such barbarity -- and the world would lack the unity and resolve to push back. On both counts, Vladimir Putin was wrong -- he not only underestimated the Ukrainian people; he underestimated the United States of America. America has rallied a tremendous coalition of countries to support Ukraine's war efforts, to provide lifesaving assistance to the Ukrainian people, and to inflict economic pain on Putin's Russia.

In addition to robust sanctions, the United States has put in place crippling export controls that are putting great pressure on Putin at home. For example, the Department of Commerce's
Bureau of Industry and Security has implemented expansive controls on dual-use items to keep critical technology out of Russia -- further debilitating Russia's economy and undermining Putin's war effort in Ukraine.

These controls are effective because we are not working and doing it alone. The Biden administration has enlisted 37 other nations to adopt similar controls against Russia and Belarus, a level of international cooperation on export controls the world has not seen since the creation of COCOM in the early days of the Cold War in 1949.

BIS has applied stringent export controls on Russia's defense, aerospace, and maritime sectors to degrade its industrial base and military capabilities. It has expanded licensing requirements pertaining to Russia and Belarus and restricted the use of licensing exceptions. It has added 335 Russian and Belarusian parties to the Entity List because of their involvement or risk of involvement in activities contrary to our national security interests. And it has adopted two Foreign-Direct Product rules specific to Russia and Russian military end users that allows us to restrict exports of certain non-U.S. made items.

As a result, the value of U.S. exports to Russia has fallen by approximately 90 percent, American sales in the aviation and aerospace industry to Russia are down to almost zero, and Russia's
global imports of crucial semiconductors have fallen nearly 75 percent, making it very difficult for Putin to sustain a modern global economy and military.

In my time in Congress, it has taught me that nothing we do alone will ever be as effective as the coordinated action we take alongside like-minded partners. It is critical that the United States enlist Ukraine's European neighbors and our partners and allies around the world to place additional pressure on Vladimir Putin. We must continue to send a clear message of solidarity with the Ukrainian people, showing that we will not stand idly by as democracy, freedom, sovereignty, and human decency are so flagrantly attacked.

As the committee of jurisdiction on export controls, I take our oversight responsibilities over BIS seriously. That is why we are honored to have the BIS Under Secretary appearing in front of us on this committee today to speak on how this administration is using export controls to hold Russia accountable and support the Ukrainian people, and how to make these controls more effective and, also, just as important to make them effective, I believe they can only be effective if we do it on a multilateral basis. Unilaterally, it would not work; multilaterally, we will succeed. And when we do that, we are enabling and showing U.S. economic and technological leadership.

And with that, I yield my remarks. I now recognize the
Mr. McCaul of Texas, for his any remarks he might have.

Mr. McCaul. Thank you, Mr. Chairman, for holding this important hearing. It has been too long and this committee has not held a hearing on this subject for quite some time, and it is becoming a very important issue. And thank you so much for holding this hearing today.

And, Mr. Estevez, thanks for appearing. And I know we had a good meeting in my office a while back, and I look forward to your testimony.

As you know, BIS has one of the most critical national security jobs within the United States Government. This agency can stop the transfer of U.S. technology to our adversaries who use it for military applications and human rights abuses. With the stroke of a pen, you, sir, can constrain the Chinese Communist Party's military and disrupt its surveillance state.

First, I would like to discuss the Russian invasion of Ukraine. And while there is a narrative that the U.S. Government has taken sweeping export control actions, I am concerned that the BIS failed to act during the 2008 Russian invasion of Georgia or the 2014 annexation of Crimea and the war in the Donbas region. It is inexcusable we didn't do more to stop the Russian's military modernization, as Putin seeks to rebuild his Russian empire.

And even with stronger rules on Russian military end users,
I am increasingly concerned about certain blind spots. The Congressional Research Service warns that, quote, "The U.S. Government may not have sufficient visibility and access to enforce its controls on Russia through China's trade." Last week, The Wall Street Journal reported that Chinese firms are selling Russia goods, its military needs, to keep fighting in Ukraine.

When BIS has enforced its rules against the PRC, companies continue to support Russian military efforts. It only used a standard entity listing. For such a serious violation, there is no denial order, no Foreign-Direct Product rule, and no sanctions. In short, BIS did as little as possible.

In your testimony, Mr. Estevez, you say BIS's primary goal is to prevent malign actors from obtaining or diverting our technologies. Our top adversary is China under the leadership of the CCP. As the FBI Director, Christopher Wray, recently explained, quote, "There's just no country that presents a broader threat to our ideas, innovation, and economic security than China."

The CCP is blurring commercial and military distinctions to undermine a core tenet of U.S. export control regime that assumes there are clear distinctions between military and civilian use. We recently witnessed a PRC hypersonic missile, a test where they fired a missile which circled the globe and
landed with precision. This missile can also carry a nuclear warhead. This was only possible through the U.S. technology that was sold to them from the United States. We gave it to them.

In fact, the Export Control Reform Act demands more aggressive controls on countries like China. However, the numbers tell a different story. If you see the visual, CRS found, roughly, $125 billion in U.S. exports to China; there were over $125 billion in 2020 of U.S. exports to China. Out of that, BIS required licenses for only 2 percent of exports -- only 2 percent of the $125 billion. Alarmingly, 99 percent of controlled technologies went to China without a license, without being seen by BIS.

This is business as usual, and business as usual has to change. Despite an ongoing genocide and systematic program to divert private sector innovations to its military, dual-use technology exports to China received little to no scrutiny.

The problem goes deeper. Our committee was given data that, even when PRC companies are put on the Entity List, it is not guaranteed that licenses will be denied. During a six-month period that spanned two administrations that was provided to this committee from BIS, we found that BIS denied less than 1 percent of the license applications for Huawei and SMIC, approving license applications worth $100 billion to Huawei and SMIC, which is China's chip manufacturing company.
It is clear the current policy and strategies are not working. And, in fact, after the initial documents were turned over to the committee, we requested every three months an update, and to date, we have not received any updates since the first tranche of documents, perhaps because it was quite revealing and maybe quite embarrassing.

BIS can no longer look the other way or rubberstamp licenses when companies are transferring sensitive technologies to the PRC. Moreover, BIS can no longer hide information from national security agencies or Congress and the American people.

We are in a generational competition with a determined adversary. Your agency is tasked with a very important role. I believe you have waited too long to act against Russia, and now we are seeing the results unfold in real time. We cannot make the same mistake with the CCP, as their actions are increasingly hostile towards Taiwan in the South China Sea.

So, as our chief technology protection officer, sir, you must overhaul your agency before it is too late [audio malfunction] government to work with us on this important mission. So, I believe it is time; it is time that all of us, including you, sir, that we get to work on this. And I look forward to working with you.

And with that, I yield back.

Chairman Meeks. The gentleman's time has expired.
And I now want to introduce our witness.

The Honorable Alan F. Estevez serves as the Under Secretary of Commerce for Industry and Security. As Under Secretary, Mr. Estevez leads the Bureau of Industry and Security, or BIS, which advances United States national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting U.S. strategic technological leadership.

Mr. Estevez arrived at BIS following an accomplished 36-year career at the Department of Defense, and he has held several key positions within the Office of Secretary of Defense, including as the Assistant Secretary of Defense for Logistics and Materiel Readiness. He also served as Principal Deputy Assistant Secretary of Defense for Logistics and Materiel Readiness, and has been honored numerous times throughout his service.

We thank you, Mr. Under Secretary, for your service and for appearing before this committee today.

And without objection, this witness' prepared testimony will be made part of the record.

And I now recognize him for 5 minutes to summarize his testimony.

You are now recognized.
Mr. Estevez. Thank you. Thank you, Chairman Meeks, Ranking Member McCaul, members of the committee, for inviting me to testify today on the work of the Commerce Department's Bureau of Industry and Security's, or BIS, role in the Biden administration's response to Russia's invasion of Ukraine.

Since this is my first time before the committee as Under Secretary, I would also like to touch on a few other priorities.

First, I will discuss BIS's role in administering and enforcing export controls in response to Russia's further invasion of Ukraine. I will also discuss the pacing threat that China presents; BIS's work in identifying emerging and foundational technologies essential to national security, and BIS's efforts toward building a durable, multilateral technology security framework for export controls.

As Under Secretary of Commerce for Industry and Security, as Representative McCaul noted, I view myself as the chief technology protection officer of the United States. Our primary goal is to prevent malign actors from obtaining or diverting technologies that can be used against the United States or its allies, in order to protect our national security and advance
out foreign policy objectives.

Export controls are a unique and powerful tool for responding to the modern threat environment. This is particularly true when we work together with our allies and partners.

Since February 24th, we have imposed sweeping export controls on Russia for its unjustified, unprovoked, and premeditated invasion of Ukraine and on Belarus for its substantial enabling of that invasion.

I want to thank the members of this committee for their support for additional funding for BIS in the first Ukraine supplemental spending bill passed in March.

We are choking off exports of technologies and other items that support Russia's defense, aerospace, and maritime sectors and are degrading Russia's military capabilities and ability to project power. For example, overall U.S. exports to Russia have decreased approximately 88 percent by value since last year, and other countries implementing similar controls have seen overall export decreases around 60 percent. Importantly, since our controls have fully taken effect, worldwide shipments of semiconductors to Russia have dropped 74 percent by value compared to the same period in 2021. Also, reports indicate that Russia will have to ground between half and two-thirds of its commercial aircraft fleet by 2025 in order to cannibalize them for parts due to controls that we have implemented.
This is one of the most aggressive and uses of export controls against another country, and the effects would not be possible without the coalition of 37 other countries so far who have got these substantially similar controls on Russia and Belarus.

As we continue our robust response to Russia's invasion of Ukraine, we remain focused on aggressively and appropriately using our tools to contend with the long-term strategic competition with China. My north start at BIS is to ensure we are doing everything within our power to prevent sensitive technologies with military applications from getting into the hands of the Chinese military, intelligence, and security services.

BIS maintains comprehensive controls against China, including for the most sensitive items under our jurisdiction, as well as for predominantly commercial items when intended for military end users or end uses in China. As part of our controls, we have added nearly 600 Chinese parties on our Entity List, 107 of those added during the Biden administration, including several for continuing to contract to supply Russian entities since the implementation of our new controls after Russia's further invasion of Ukraine.

China remains a complex challenge in the competition between democracies and autocracies. We are closely reviewing our approach to China, seeking to maximize the effectiveness of our
controls.

Another critical part of our mission at BIS is to identify and impose appropriate controls on emerging and foundational technologies essential to national security. Since enactment of this statutory requirement, BIS has established 38 new controls on emergency technologies, including controls related to semiconductors, biotechnology, and quantum computing.

I am continuing to prioritize this issue. As part of this important mission, I have asked the Department of Defense Under Secretaries for Acquisition and Sustainment and for Research and Engineering to work with me to establish a Critical Technologies Review Board. This board will help BIS to understand the technologies DOD is investing in for military use and help us impose appropriate controls for those technologies.

For the United States to maintain effective export controls and technology leadership, we need to coordinate with others. Our work with the 37 other countries to implement the Russia controls helps us provide a blueprint for further progress. We need to work with our allies to develop a 21st century export control framework for the digital age, which includes working with like-minded suppliers of sensitive technologies, as well as addressing the use of commercial technologies to commit human rights abuses.

Finally, enforcement is critical to ensuring effective
export controls, and we are working with partners across the globe
to enhance export control enforcement.

I value the partnership and collaboration with this committee, as we tackle our greatest national security challenges together.

Thank you for inviting me here today, and I look forward to your questions.

[The statement of Mr. Estevez follows:]

********** COMMITTEE INSERT **********
Chairman Meeks. Thank you for your testimony.

And I am now going to recognize members for 5 minutes each, pursuant to House rules, and all time yielded is for the purpose of questioning our witnesses.

And I will recognize members by committee seniority, alternating between Democrats and Republicans. And if you miss your turn, please let our staff know and we will come back to you.

If you seek recognition, you must unmute your microphones and address the chair verbally, and identify yourself, so that we know who is speaking.

And I will also let members know that the Under Secretary has a hard stop at 1:00 p.m. So, I will be strict with the gavel to allow as many members as possible to ask questions. And it is not to be able to ask questions for 4 minutes and 20 seconds, and then, expect to get an answer that is going to take more time.

I will be banging the gavel at 5 minutes.

I will start by recognizing myself for 5 minutes.

Mr. Under Secretary, can you tell us what Russian military capabilities have we been able to undermine through our controls, and have we have been able to save Ukrainian lives on the ground due to the controls we have implemented?

Mr. Estevez. Thank you for that question, Chairman Meeks.

We are certainly impacting Russia's capability to sustain
their forces over time. So, the cutoff of microelectronics to Russia from us and from our like-minded allies, essentially, will stop them from being able to build the highest-end military gear; for example, precision-guided munitions.

Now, of course, they have stockpiles of these things. So, they are using, of course, well, PGMs, but they are also indiscriminately using artillery on the battlefield to attack the Ukrainian people. So, I can't say that we have saved Ukrainian lives, but over time we will.

Chairman Meeks. Well, thank you.

What areas of Russian defense, quote, "production" have been most affected by U.S. export controls, and what will be the medium-term impact on Russia's defense industrial base and military capacity, as inventories of imported parts are depleted?

Mr. Estevez. Well, over time, their ability to build munitions, as I said, will go down. Their ability to sustain armored tanks, you know, we have heard from Ukrainians that tank factories have stopped. They are using T-62s, instead of T-72s, on the battlefield today. I assume they are holding in reserve for other background. But we are certainly impacting their capability.

And the aviation sector is another sector where they are certainly going to run out of parts and spares, certainly, for commercial aircraft, but it will impact their military capability
as well. They need the parts from the West in order to do that.

Chairman Meeks. So, as I said in my opening, and you have
addressed somewhat in your statement, the need of multilateral
or plurilateral controls against Russia, do you recall or do you
know, when was the last time we showed this kind of plurilateral
cooperation on export controls outside of the four existing
multilateral regimes?

Mr. Estevez. As far as I am aware, this is probably the
first time since going back, as you said, to Cold War days.

Chairman Meeks. Now, I believe that we may need a new
multilateral regime to achieve the non-traditional national
security, economic security, and human rights objectives that
go beyond the scope of the four existing regimes. With Russia,
our allies and partners can adapt their export control laws and
regulations to achieve strategic objectives beyond those of the
four export control regimes.

Now, does the Biden administration support a push for a fifth
multilateral regime? And if so, what are the key barriers for
the United States driving the development of a fifth export
control regime?

Mr. Estevez. So, there is an interagency review looking
at that. I am on public record of saying I believe we need a
new regime. We have been talking to allies about that. And it
is not just for Russia; it is about China, let's be clear. The
tech threat from China and their diversion of technology through
civil-military fusion for human rights abuses and building power, and threatening their neighbors, is as important for a new regime.

And I think, working with our allies, based on the momentum that we have on the Russia issue, gives a great framework, great stepping-off point, to work on that. Again, we have been talking to different allies. You know, some things in that framework could work in plurilateral or bilateral capabilities, but I want to make sure that we have that framework built in the near term.

Chairman Meeks. And does the U.S. BIS currently have the resources and manpower that would be needed to drive an effort to create a foundation for -- and ultimately, negotiate -- such a regime?

Mr. Estevez. I would be remiss to ever say that I have enough resources.

[Laughter.]

You know, coming from the Department of Defense, I could never ever say that we had enough resources.

But we have this as a priority. It is what we are focused on, as well as ensuring that we have got our licensing policies right and our enforcement capability. You know, I could always use more enforcement officers, but it is something that we are working on. The Appropriations Committee increased my manpower.

There are some other missions that I received that are embedded
in that. So, could I use resources? Certainly. Will I do it with what I have? Absolutely.

Chairman Meeks. Thank you. My time has expired, and I am going to restrict myself to this limitation.

I now yield to Ranking Member McCaul for 5 minutes.

Mr. McCaul. Thank you, Mr. Chairman, and I look forward to working with you on that new regime approach.

And let me just say congratulations. I know you are new to the job, and I think, given your background at the Department of Defense in security, that you have bring a fresh, new opportunity to BIS to bring it in the right direction, and I look forward to working with you on that.

I know last week you testified before the Senate and were asked a question -- if a company violates the Commerce Department export control regulations, that you would put them on the Entity List, is that correct?

Mr. Estevez. That is correct.

Mr. McCaul. And that should be the case. And so, if someone violates export controls, you put them on the Entity List. I want to show you a visual. This is from TechInsights. It is a well-known publisher, lead provider of advanced technology analysis. The January TechInsights did a breakdown. This is a Huawei smartphone called the Enjoy 20e. It is a picture of the main board in the Huawei smartphone, but there is a large,
black square in the upper middle of the main board that is identified as an advanced memory chip made by a company called YMTC. Are you familiar with YMTC?

Mr. Estevez. I am, sir.

Mr. McCaul. Okay. And as you may know, Senator Hagerty and I actually sent a letter to the Department of Commerce raising our concerns about this company. It is China's state-owned national champion, closely tied to the CCP. In April 2022, the Financial Times reported the White House and the Department of Commerce received copies of this report and were looking into these claims.

Two days later, we had Secretary Blinken before this committee where you are sitting, and I asked him if he knew about this company. He did not. And I know he has got a lot on his plate. He said he would get back to me, and, of course, he never did.

But if somebody sells something of this relevance to Huawei, do you think they would need a license from BIS?

Mr. Estevez. If I can prove that a company sold a product like that to Huawei, which is under the Foreign-Direct Product rule, which would stop a copy from using U.S. tooling to make something, we could put them on the Entity List.

Mr. McCaul. And if you could prove that that was from YMTC, and that it was put in a Huawei control board in their phone,
that would violate U.S. export controls, would it not?

Mr. Estevez. That is correct, sir.

Mr. McCaul. Okay. Has BIS put YMTC forward to the End-User Review Committee for a vote?

Mr. Estevez. I cannot in an open forum talk about any investigation that I may have going on. As a former prosecutor, you understand that.

Mr. McCaul. Yes. I got that, and maybe --

Mr. Estevez. If an investigation led us to fine them, we would bring them before the ERC.

Mr. McCaul. Yes, and I would ask you, if it is before the committee, the End-User Committee, about how long would that take to determine?

Mr. Estevez. I'm sorry, sir?

Mr. McCaul. How long would it take to determine if there is a violation?

Mr. Estevez. Investigations take time. We follow due process when we do that. I want to make an investigation stick.

Mr. McCaul. Yes.

Mr. Estevez. Anyone I put on the Entity List, I want to be able to survive a lawsuit around that because I don't want to pull out the foundation of the Entity List.

Mr. McCaul. Yes, as an attorney, I fully appreciate that. I would just ask that you keep the committee informed if, in
fact, there is an investigation, or if there is another setting
where we can meet and talk about it. And certainly, if you come
to a conclusion, we would like to have those results.

Mr. Estevez. Of course, sir.

Mr. McCaul. And then, lastly, you know, I have this
outstanding request for companies on the Entity List, and I got
an initial tranche of information from November to April 2020,
you know, somewhat incomplete. Since that time, we have received
no information. And we use this under the authorities we have
on the committee under our authorities of oversight on export
control.

Would you agree to, would you continue to comply with this
request? And I am not sure why we were only given it from November
to April, and then, you stopped.

Mr. Estevez. I absolutely recognize, as ranking member,
your authority to ask for that information. What I need to ask
is that we can work with your staff, because pulling all the
information you asked is not easily doable. It is a manual
process --

Mr. McCaul. Okay.

Mr. Estevez. -- converting the same people who I am trying
to put stricter license controls on.

Mr. McCaul. Understood, and we are reasonable and I would
be happy to work with you.
Mr. Estevez. Understood.

Mr. McCaul. I yield back.

Chairman Meeks. The gentleman's time has expired.

I now recognize Representative Bill Keating of Massachusetts, who is the chair of the Subcommittee on Europe, Energy, and the Environment, and Cyber, for 5 minutes.

Mr. Keating. Thank you, Mr. Chairman, and thank you for having this hearing.

Thank you, Mr. Estevez, for being with us.

And I noted in your opening statement the success we have had within our own country just in a year dealing with these exports of sensitive items and an 88 percent reduction from the United States, 60 percent combined with other countries.

On the other side of the ledger, could you share with us, with Russia, where they continue or where there has been an increase in these kind of exports from other countries?

Mr. Estevez. The reality is we are not seeing a great backfill of what they really need. So, we are tracking that, and, of course, in an open forum, I can't go into all the sources that I would use to assess backfill. But, even from countries that are not part of our coalition, exports have dropped 40 percent.

Mr. Keating. Well, yes, I was looking for outside. And I don't want to get into sources and methods. I just want to
get a sense, has China increased their exports of some of this stuff?

Mr. Estevez. We are not seeing a concerted export expansion from China --

Mr. Keating. India?

Mr. Estevez. -- and we are tracking that closely.

Mr. Keating. Yes. India?

Mr. Estevez. No.

Mr. Keating. Taiwan?

Mr. Estevez. No. Taiwan is part of the coalition.

Mr. Keating. Well, that is good. It is important to have Taiwan on that.

So, the other thing I wanted to get into, you know, these are long-term effects, just by the very nature of them, too. So, has any of them sifted into, from a commercial sense, into Russia's domestic population? I know it is very early in that respect, but are they seeing, people in Russia, are they feeling any effects from this or are the stockpiles just so much, that they are not being affected by it?

Mr. Estevez. I mean, there is always going to be bleedover because we are impacting Russia's economy as a whole. Now, the focus of our controls are around their ability to sustain their military operations, but, certainly, as their economy contracts, there is going to be impact on the Russian people. Now, with
that said, you know, we allow exports of medicines and things
like that, foodstuffs.

Mr. Keating. I am curious, too, about seeing the dynamic
effect of what we are doing -- for instance, we know in many African
countries that Russia is a prime source of their military assets
in those countries. So, will our efforts at this stage have an
effect on their ability to deal and provide assets for those other
countries they are providing assets for?

Mr. Estevez. That is certainly an over-time thing. I would
say, you know, as a former acquisition official in our U.S. DOD,
you need to be able to build the capability. If they can't build
it for themselves, they certainly can't build it for sale.

Mr. Keating. And certainly, that will have an impact, I
think, on Russia's influence overall?

Mr. Estevez. Absolutely.

Mr. Keating. The chairman mentioned it in his opening
statement, about the importance of the multilateral aspect of
this. Are we working and what would you see as the prospects
for our expanding beyond the 37 countries that we have currently?
I mean, is this ongoing? I know you can't get involved in
negotiations in a public setting like this, but what is your
overall impression? Is it expanding? Is it promising at this
stage? What kind of response are we getting from other countries
to expand the number that we have now?
Mr. Estevez. You know, and, of course, State Department would have the lead in a lot of that. But, in my discussions with other countries --

Mr. Keating. Yes?

Mr. Estevez. -- you know, they will always give the reason why they are not fully onboard, but they will also say they are doing what we would really like them to do. So, I think there is goodness there. And I think, you know, over time -- and I always point out, look at the heinous crimes that Russia has committed in Ukraine -- they do not want to be on the wrong side of history there.

Mr. Keating. And lastly, you know, supply chain, it is a chain. So, are some of the actions we are taking with Russia having an effect further down the chain with Russia, not just with these, but, you know, the way that exports go, the way that manufacturing is these days, it is a chain. So, we are breaking that chain. Does it have an effect further down in the chain?

Mr. Estevez. In Russia, yes. And certainly, you know, the Europeans have a much more dynamic, or had much more dynamic trade with Russia, which they are weaning themselves away from. For the United States, not so much, but we are going to crack the Russian supply chain. Just like the experiences we have had in the semiconductor world, and then, certainly, the COVID experiences, we have all had a wake-up call. But ours is a
concerted effort and we are going to win that effort.

Mr. Keating. Great. Thank you.

And, Mr. Chairman, I yield back -- with 4 seconds left.

Chairman Meeks. Thank you, Mr. Keating.

The gentleman yields back of his time.

I now recognize Representative Steve Chabot of Ohio, who
is the ranking member of the Subcommittee on Asia, the Pacific,
Central Asia, and Nonproliferation, for 5 minutes.

Mr. Chabot. Thank you very much, Mr. Chairman.

And thank you for testifying, Mr. Under Secretary.

As was just mentioned, I am the ranking member of the Asia
and Pacific Subcommittee. So, I am paying very close attention
to China's technology and their technological ambitions, whether
they are achieving it through rampant intellectual property
theft, as we know they are and have been doing for years, or their
Thousand Talents Program, or their Made In China 2025 initiative,
and other enterprises.

Given all this, does BIS consider China to be an adversary?

Mr. Estevez. I will mimic my Department of Defense
colleagues: they are certainly our pacing threat and they are
not a friend. I consider them an adversary.

Mr. Chabot. Okay. Thank you very much.

Be that as it may, Congress gave BIS new authority under
ECRA, and in light of the intent of ECRA and these new authorities,
do you think it is BIS's role to prevent China from monopolizing the industries of the future?

Mr. Estevez. I certainly think it is BIS's mission to stop them from harming our national security, our foreign policy objectives, and in some cases that means stopping them from monopolizing certain industries. Of course, they already have a monopoly on a number of industries --

Mr. Chabot. Right.

Mr. Estevez. -- that we need to fix.

Mr. Chabot. They certainly do, and it is long overdue for some pretty aggressive action on our part.

And as you may know, Intel is looking to build a major semiconductor facility in my State, Ohio. I represent Cincinnati. They are putting this outside of Columbus. But because there is a shortage of the tools necessary to manufacture semiconductors, facilities like that one might not be able to actually start producing chips for some time.

Right now, there are no export controls on selling these tools to China, and China is buying up most of the supply across the globe. Would you support using export controls to direct these tools to U.S. companies, or do we tell Ohio workers that they have to wait in line behind Chinese chip manufacturers?

Mr. Estevez. First, let me raise the fact that we need to pass CHIPS to begin with. I want to thank Congressman McCaul
for his leadership on that. I know you care deeply about that as well.

Mr. Chabot. And I totally agree with you, we do need to pass it. And, of course, the overall bill that it was contained within has a lot of things --

Mr. Estevez. Yes.

Mr. Chabot. -- which are problematic to a lot of us, but the CHIPS portion needs to pass, I agree.

Mr. Estevez. I understand. And, you know, my boss was up here last week talking to Senators, and she is all over the media talking about that.

Mr. Chabot. Right.

Mr. Estevez. Right. So, back to your question on tooling, you know, I need to make sure that we have the restrictions on the highest-end tooling. We are working to review our policies around some of the tools that are going right now and stopping that, if we believe that that will help Chinese increase their capacity.

I think if we pass CHIPS funding, the market will level itself out. But, you know, again, I need to like assess where our export controls can help us to ensure our national security in that place.

Mr. Chabot. Certainly.

Mr. Estevez. But having chip capability in the United States is part of our national security, as Secretary Austin noted
in his letter --

Mr. Chabot. Certainly, yes.

Mr. Estevez. -- with Secretary Raimondo.

Mr. Chabot. Understandable, and we certainly, the Nation has put a tremendous amount of confidence in you, and we are looking for you to do an incredibly good job for the country. And we are all rooting for you.

Instead of using sanctions and export controls to deter Russia from invading Ukraine, the administration waited, and predictively, they failed to deter Putin. Many of us were urging that the sanctions go on ahead of this. They didn't follow the advice of both a lot of Republicans and some Democrats as well.

Now, I am the co-chair, I mentioned before the ranking member and the co-chair of the Congressional Taiwan Caucus, and was one of the founding members about two decades ago. So, I would like to know, is this going to wait until after the PRC invasion of Taiwan, assuming that there will be one someday, which we are all trying to deter and make sure that doesn't happen? But are we going to wait until an invasion occurs before applying strict controls on Chinese military end users? And if so, what is the rationale for not applying the same stringent export controls on the Chinese military as you are on the Russian military? This time, do it before they invade.

Mr. Estevez. BIS, in and of itself, you know, doesn't have
that, can't make China policy. However, I am looking at our China policies for what I can control. And certainly, from a whole-of-government perspective, and again, as a former DOD guy, I view this as a phase zero operation to ensure that we deter China from even thinking about it.

Mr. Chabot. Thank you.

Chairman Meeks. The gentleman's time has expired.

I now recognize Representative Joaquin Castro of Texas, who is the chair of the Subcommittee on International Development, International Organizations, and Global Corporate Social Impact, for 5 minutes.

Mr. Castro. Thank you, Chairman.

And thank you, Secretary, for your testimony today.

Secretary Estevez, in 2020, the Trump administration moved responsibility over exports of firearms, including assault weapons, from the State Department to Commerce. And this has made it significantly easier to export these firearms. There are fewer registration requirements, less oversight, more exemptions, and significantly curtailed congressional review.

It was, essentially, a giveaway to gun manufacturers a few years ago, and it seems to have worked.

Small arms exports are up at least 30 percent over the last 16 months. And the Bureau of Alcohol, Tobacco, and Firearms estimates that over 70 percent of firearms ceased by Mexican law
enforcement can be traced back to the United States. A large proportion of these weapons were legally exported from the United States to these countries, and then, fell into the hands of criminals.

U.S.-made guns are killing people, of course, not just in my home State of Texas, but places like Connecticut, Florida, Illinois, but also in other countries, like Mexico, Belize, Guatemala, Honduras, and El Salvador. And by some estimates, U.S.-manufactured guns kill more people in Mexico than in the United States.

Now, I am glad that, in 2020, then-candidate Joe Biden made a campaign pledge to return jurisdiction over these exports to the State Department. So, Secretary Estevez, just last week, President Biden described assault weapons as, quote, "weapons of war," and has said that they should not belong, and they don't belong, on our streets. And I agree with that. Do you believe that assault weapons belong on the streets of Mexico or Honduras or El Salvador or Guatemala?

Mr. Estevez. I am going to say I do not, except in the hands of the appropriate authorities in those nations.

Mr. Castro. And so, can you give us an update on, essentially, this issue and how you are combating this?

Mr. Estevez. Sure. The movement of the authority of oversight of exports of firearms from State to Commerce actually
did two things. It put an interagency process around that licensing, which includes State. So, State still has a strong say in approving licenses of exports to any nation.

It also put an enforcement arm, so that we can enforce the export controls that are used, you know, for all exports, but also for guns. So, my enforcement arm has a focus on that.

And, of course, human rights abuses are part of our normal licensing process, especially so for guns. So, actually, I think that we have increased our capability to review export of all sorts of guns. So, on to your point that --

Mr. Castro. You don't disagree that the numbers are up, that the problem has gotten worse, do you?

Mr. Estevez. You know, it is hard for me to pause that. It is not all assault weapons, let's be clear. It is also, you know, I am exporting weapons to Ukraine right now, which increases the numbers, for reasons that you would expect. We are giving Ukraine these new weapons --

Mr. Castro. [Inaudible.] Yes, but I am addressing Mexico and Latin American countries. All of us know the situation in Ukraine.

Mr. Estevez. Well, you know, we would export guns to Mexican authorities, as part of our foreign policy.

Mr. Castro. Okay. I will follow up with you guys on that.

But let me ask another question because I am running low on time.
I understand that this week the BIS published a rule on congressional notification of these sales, and this is entirely inadequate. You say you will inform Congress of sales. You all have said you would inform Congress of sales above $4 million, which is higher than the State Department's threshold of $1 million, and you don't acknowledge Congress' prerogative to block sales, as we can with the State Department.

So, my question is, why is the Commerce Department trying to evade congressional oversight on these weapons exports with this higher threshold and reducing the ability of this very committee to review these sales?

Mr. Estevez. You know, as part of that, we have approved, you know, we are going to give the licensing information to this committee. The higher number is based on our licensing capabilities inside the Department of Commerce.

Mr. Castro. Well, I --

Mr. Estevez. It is not trying to evade oversight, Congressman.

Mr. Castro. Secretary, so far, from what I can tell, your actions have made it easier for dangerous people to get dangerous weapons in their hands in other countries, where this is an incredible problem.

With that, Chairman, I yield back.

Chairman Meeks. The gentleman yields back.
I now recognize Representative Joe Wilson of South Carolina, who is the ranking member of the Subcommittee on the Middle East, North Africa, and Global Counterterrorism, for 5 minutes.

Mr. Wilson. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here today.

The Bureau of Industry and Security has waited until after Putin attacked before applying strict export controls on its military end users. The buildup of Putin's forces on the Ukrainian border, which, no doubt, posed a significant risk to the United States, certainly put and met the BIS criteria for aggressive controls. Particularly, it should have been noted that this buildup was especially extraordinary and obvious in Crimea, where Putin had conducted wargames, and when the wargames were concluded, the Putin regime left their equipment there, clearly, to be used to facilitate an invasion.

Additionally, last August, on the Kremlin website, kremlin.com, it was really obvious Putin had published a bizarre treatise which falsely claimed that Ukraine did not exist, and despite the fact, of course, Ukraine has existed for over a thousand years.

Putting that in context, did waiting until after the invasion to apply export controls prevent or deter the Putin aggression against the people of Ukraine?

Mr. Estevez. Thank you for that, Congressman.
Frankly, I don't think we would have been able to bring along the 37 nations that we brought along to implement the stringent export controls that we now have in place, had we moved unilaterally before the invasion. Now, obviously, there were other capabilities that we were projecting to deter Putin, but, you know, Putin did what he did, to his own demise over time.

Mr. Wilson. Well, again, to me, it was just gruesomely obvious, now that we look back, and I am not blaming you. I think there is an intelligence failure that it was not presented to President Biden how clear this was -- leaving the equipment in Crimea for the facilitation of the invasion; to completely overlook an incredibly bizarre, contrived, false claim that a country that didn't exist, a country that has clearly existed for 31 years, since the breakup of the Soviet Union, and a country that the Russian Federation had treaties with in Minsk and in Budapest. And then, that should have been a wake-up call. And that should have been presented to you, but also the President should have received that information, so that the invasion could have been avoided by a more significant buildup of the military, as we are doing perfectly today to support the people of Ukraine.

With that in mind, also, with the Ukrainian invasion, actually, we had already had prior invasions in 2008 in Georgia south of Abkhazia and the other province there in Georgia. There was also, in 2014, the invasion and illegal annexation of Crimea,
and then, of course, actually, the Russian Federation, Putin still
controls -- and never left after the breakup of the Soviet Union
-- Transnistria of Moldova.

With all of that, shouldn't there have been actions sooner
to recognize, to prevent the malign actions of Putin?

Mr. Estevez. You know, Congressman, I agree with you that
Putin is running a rogue regime; that he is violating
international law. Obviously, there is whole-of-government and
whole-of-nation, and frankly, our allies, that are all part of
this.

So, you know, unfortunately, I can't go back and change what
was done in 2008 under the Bush administration or, in 2014, under
President Obama. But we are dealing with the crisis we have now.

Mr. Wilson. And indeed, the ultimate victim, really, are
the people of Russia -- with the loss of life, where Putin is
sacrificing young Russians for his personal aggrandizement of
oil, money, and power.

I yield back, Mr. Chairman.

Chairman Meeks. The gentleman yields back.

I now recognize Representative Dina Titus of Nevada for 5
minutes.

Ms. Titus. Thank you, Mr. Chairman.

Mr. Under Secretary, you have dubbed yourself the "chief
technology protection officer" in the United States. I sit,
also, on Homeland Security, and we have heard quite a bit about
the concerns over cybersecurity. I wonder if you could tell us
how you are working with the Federal Communications Commission
and with DHS's Cybersecurity and Infrastructure Security Agency,
to ensure that our response to Russia is adequate or possibly
robust.

Mr. Estevez. So, obviously, my remit is, my main remit is
export controls. With regard to export controls, we are putting
controls on Russia's capability, you know, through
microelectronics and other sectors around that which would impact
their cyber capabilities over time. You know, that is not an
immediate thing.

In the United States, I have an authority around something
for telecommunications to review infrastructure and software that
may impact U.S. protections. That is a new responsibility that
we are just standing up.

Ms. Titus. So, are you the chief technology protection
officer, as you claim then, if this is just something new and
you are not that engaged in it, if it is not --

Mr. Estevez. My technology protections are to prevent other
countries from obtaining our highest-end technologies.

Ms. Titus. Well, are you working with DHS and the FCC to
do this?

Mr. Estevez. On my ICTS authorities, yes.
Ms. Titus. Well, what are you doing?

Mr. Estevez. Again, it is an investigatory capability. So, I can't talk about specific investigations on specific entities that we are reviewing, but we are doing that in conjunction with our whole-of-government partners.

Ms. Titus. Okay. Well, maybe we can find out something about that in a different setting.

My second question, the United States and most of our close allies currently maintain traditional export control regimes that identify items connected to national security -- maybe nuclear capability or more conventional military items. Do you think that other considerations like human rights ought to be factored in identifying new controls?

Mr. Estevez. As I said in responding to Chairman Meeks earlier, we are looking what I would call a new regime for tech controls around the digital age, which certainly would include capabilities that would impede human rights surveillance capabilities. Those are dual-use technologies that fall under, to some degree, one of the existing regimes, but I think we need a different sort of focus and lens around that.

Ms. Titus. What about the Russians?

Mr. Estevez. Excuse me, Congresswoman?

Ms. Titus. I just said, well, what about in Russia? Are you considering those issues?
Mr. Estevez. I am not sure we have those controls in place right now.

Ms. Titus. Okay. Well, okay. Thank you.

I yield back.

Chairman Meeks. The gentlelady yields back.

I now recognize Representative Brian Mast of Florida for 5 minutes.

Representative Mast?

[No response.]

We don't hear you if you are there.

All right, we will come back to Representative Mast.

I now recognize Representative Claudia Tenney of New York for 5 minutes.

Ms. Tenney. Thank you, Chairman Meeks.

And also, thank you to the witness for being here today.

I just wanted to talk a little bit and move over to the issue of China. And the Department of Defense considers the People's Republic of China a pacing challenge, as you know, and says it pursues a "military-civil fusion" -- MCF -- "development strategy to fuse its economic, social, and security development strategies to build an integrated national strategic system and capabilities in support of the PRC's national rejuvenation goals."

Do you agree that the Chinese military and Chinese military end users are a threat to our national security?
Mr. Estevez. Absolutely.

Ms. Tenney. So, that being said, if the Chinese military end users are a threat to U.S. national security, why are more than half of the military companies on the Department of Defense 1260H list, the NDAA 2021 list of Chinese entities, not on the Bureau of Industry and Security list?

Mr. Estevez. Thank you for that good question. I asked that same question.

First of all, there is different rules about these different lists -- you know, my list, the Department of Defense list. I will also note that the Department of Defense has had people that were on their list sue and win. I want to make sure that doesn't happen.

Now, with that said, I have been talking to the Under Secretary of Defense for Policy about how to harmonize our lists to make sure that we are getting the appropriate -- within our rule set on our list.

Ms. Tenney. Great. Just a quick search of the internet shows two pages of Chinese entities that probably should be looked into that are not on that list.

Mr. Estevez. Again, you know --

Ms. Tenney. Okay.

Mr. Estevez. -- I have a due process. We actually follow the law in this Nation, unlike our Chinese adversaries.
Ms. Tenney. Yes, we appreciate that. Yes, we do.

All right. So, let me just ask a couple more questions.

The Chinese National Offshore Oil Corporation is on the Entity List, but the license review policy is a case-by-case for U.S. exports of crude oil, liquefied natural gas, petroleum products, and all that, as you know. Why were U.S. energy exports carved out from the presumption-of-denial licensing policy for that company, for the Chinese company, the China National Offshore Oil Corporation?

Mr. Estevez. Frankly, Congresswoman, I will have to go back and review that one. With that said, as I said in my opening statement, I do have an overall review on our licensing policies with regard to all Chinese entities, not just those on the Entity list.

Ms. Tenney. Right, but don't you think we should be looking into this, especially in light of what is happening with our -- you know, my consumers and constituents are paying almost $5 a gallon for gas right now --

Mr. Estevez. Likewise.

Ms. Tenney. -- and can't afford electric cars. I come from the State of New York, where we have abundant natural gas resources and we are not allowed to touch them.

So, on the Chinese liquefied natural gas importer terminal has violated a U.N. sanction against Iran and Russia. Should
we now put them on the Entity List, and will you do that and place these on the Entity List? You indicated you might, but would that happen now?

Mr. Estevez. Again, I would have to, you know, look at what our investigation, what investigations we have ongoing. And I will look at that, and if we don't have investigation, we will take a look at it.

Ms. Tenney. Would there be a reason -- what would be the reason not to put them on the list, especially in light of today's -- you indicated earlier in your testimony that China is an adversary or enemy, as many would call it. Why wouldn't we put them on the list? What would be the reasons?

Mr. Estevez. Again, I would have to -- I have a due process to do that.

Ms. Tenney. Okay.

Mr. Estevez. We follow where the investigation goes, you know, on any entity.

Ms. Tenney. Okay.

Mr. Estevez. So, I am not going to tell you about a specific one.

Ms. Tenney. Okay. I have got a little time.

In 2021, Chinese orders for semiconductor manufacturing equipment rose 58 percent, reaching nearly $30 billion. It is being reported that state-backed Chinese companies are paying
above-market rates to buy tools, and in some cases they are
diverting deliveries to China from the United States and allied
manufacturers. Why is the Bureau of Industry and Security
letting China buy up and stockpile the global supply of these
tools and equipment? Are you aware of that?

Mr. Estevez. We talk to the companies and they say that
is not the case.

Ms. Tenney. Do you consider this a problem?

Mr. Estevez. I mean, there is no reason for those companies,
some of which -- many of which are American companies -- to tell
us anything other than -- you know, they certainly have sales
to China for their tools outside the highest-end --

Ms. Tenney. Are we investigating these to make sure they
are compliant?

Mr. Estevez. We --

Ms. Tenney. I know you said a due process, but, I mean,
are we --

Mr. Estevez. Well, we always assess, you know, the flow
of tools and look at the data around what is going on.

Ms. Tenney. Are we, as a country, willing to act
unilaterally to make sure that the U.S. national security is
protected, in light of the threat that China poses and in the
middle of the war in Ukraine, where China could be protecting
and helping and aiding and abetting Putin and the Russians?
Mr. Estevez. If we find someone backfilling, we will take action, but, of course, that is with our 37 other nations. Generally, I am opposed to unilateral controls, but if we have to do it, it is one of the tools in our toolbox.

Ms. Tenney. Thank you so much. I yield back.

Mr. Malinowski. [Presiding.] Thank you.

The chair recognizes Representative Susan Wild of Pennsylvania for 5 minutes.

Ms. Wild. Thank you, Mr. Chairman.

Good afternoon.

According to recent reporting from The Wall Street Journal, Chinese microchip exports more than doubled in the first five months of 2022 compared to the same period a year earlier, and other critical exports, including many with direct military applications, also increased by double digits. How does the BIS assess these strengthened ties between Russia and China in the current context?

Mr. Estevez. So, obviously, we use both open source and intelligence community aid/output to assess what is going on. You know, that Wall Street Journal article is an interesting article. The numbers are actually pretty minuscule in the scope of things. But we always look to see what companies may be violating our sanctions. And our export control sanctions relate to the Foreign-Direct Product rule around Russia, and if they
are, we will take action.

Ms. Wild. Well, do you believe that it is vital for us to urgently make major investments in our advanced semiconductor industry?

Mr. Estevez. Pass CHIPS. Absolutely.

Ms. Wild. Yes, both in terms of national and economic security?

Mr. Estevez. It is absolutely both.

Ms. Wild. Okay. And what is BIS's overall assessment of the strength and sophistication of the Chinese industrial-military nexus as it pertains to Russia?

Mr. Estevez. Again, we have not seen any concerted effort on the part of China as a whole to backfill Russia. We have focused on particular entities, and we continue to do that.

Ms. Wild. In May, Commerce Secretary Gina Raimondo testified that the administration was receiving reports from Ukrainians who had analyzed Russian military equipment that these pieces of equipment were now filled with semiconductor chips taken out of appliances like dishwashers and refrigerators. What is the administration's assessment of the long-term trends here, including the economic impact of the export controls on these high-end semiconductor chips on the Russian defense industry and other key industries?

Mr. Estevez. Well, that is an interesting anecdote that
we did pick up from the Russians. Knowing a little bit about
production of military equipment, it is unlikely that something
came off the factory line and was in Ukraine. So, they must have
been putting dishwasher and refrigerator chips into their tanks
to begin with. You know, it is just a low-end chip.

But, to my earlier comments, you know, we have, essentially,
cut off the shipments of microelectronics to Russia. They cannot
build a precision-guided weapon without a high-end
microelectronic semiconductor.

Ms. Wild. Well --

Mr. Estevez. We are going to impact their ability to sustain
forces over time, including for those tanks.

Ms. Wild. All right. And let me just ask -- and maybe I
already did -- what is your assessment of the strength and
sophistication of the Chinese industrial-military nexus as it
pertains to Russia?

Mr. Estevez. As it pertains to Russia, you know, again,
we are not seeing a lot. We are not seeing China as a nation
supporting Russia. Now there are companies, more or less, that
are worried about our export sanctions because they use U.S.
tooling for a lot of their stuff --

Ms. Wild. Uh-hum.

Mr. Estevez. -- and they do not want to be sanctioned
themselves. So, the overall trends are not a large increase.
And again, we are focused on this both from open source and from intel.

Ms. Wild. All right. Thank you very much. I yield back.

Mr. Malinowski. The chair recognizes Representative Chris Smith of New Jersey for 5 minutes.

So, we will go to Representative Issa for 5 minutes. Thank you.

Mr. Issa. Thank you. Thank you, Mr. Smith.

In the years that I worked with some of your predecessors, there certainly was frustration about the limitations of your job. With the current law, when you see tail numbers changing on aircraft, and then, you have to, in fact, update your sanction before you can effect that, does that give you a belief that your authority is not broader or more flexible in the current form?

Mr. Estevez. Actually, the authorities that I was given under ECRA, a fairly new law -- you know, 2018 passed; really 2019 implementation -- gives us pretty good authorities to take the action that we need to take.

Mr. Issa. So, you feel that the Whac-A-Mole that you have to do, as they try to evade, is you have all the authority you think you need?

Mr. Estevez. I have the authority; it is Whac-A-Mole. You know, resources are always good.

Mr. Issa. Now, I would like to delve into the sophisticated
chips/non-sophisticated chips for a moment. From a standpoint of your recollection of how India got its nuclear weapon, in spite of export controls to prohibit them, they, basically, in a nutshell, repurposed plain IBM PCs and strung them together to get a supercomputer. Is that a fair assessment in layman's terms?

Mr. Estevez. I am really not prepared to talk about how India got their thing, but yes.

Mr. Issa. Well, that is the publicly available statement about it.

Mr. Estevez. Yes.

Mr. Issa. So, it is fair to say that, in this day and age, if you get enough of low-tech, you, in fact, get high-tech? Is that fair enough to say?

Mr. Estevez. You can certainly do workarounds. It is not the most effective way, and it is probably not going to give you the most sophisticated weaponry that you need.

Mr. Issa. But I can buy today 10,000 available drones that are remote-control and have very accurate GPS guidance and the ability to navigate, and I can do it on a consumer products level, is that correct?

Mr. Estevez. I mean, obviously, ISIS was using drones, you know, manual-controlled, to do it. So, yes, but it is not going to win you a major war.

Mr. Issa. Okay. So, as we look at what has happened with
Russia in a relatively short period of time, the information we were given in our briefing is about an 82 percent reduction in their ability to secure this kind of technology. Is that about where you would Putin?

Mr. Estevez. About, yes.

Mr. Issa. Okay. Over a period of time, another year, will that be better or worse, based on their attempt to circumvent and your, if you will, Whac-A-Mole going after them?

Mr. Estevez. I believe that we are going to continue to impede their capabilities. So, to answer correct, they are certainly going to try to evade, and certainly, things, you know, small amounts, will slip through, nothing that will give them what they need to sustain a combat force on the battlefield.

Mr. Issa. Okay. And lastly -- and I am going to return to China for a moment, as an adversary, rather than the current day with Russia -- your authority is limited to specific sanctions of specific items that they could use for specific purposes, and it is relatively narrow when it comes to China at this point, is that right?

Mr. Estevez. My authority is around national security. So, it can be fairly broad.

Mr. Issa. Right, but the amount of items and what you are limiting going into China is a relatively small portion of a very large trade?
Mr. Estevez. That is correct. Like I am not impacting soybean imports from, you know, that China is importing.

Mr. Issa. But when we look at technology transfers, which are massive going into China, even as we speak -- shared research, you know, and the like -- China is the beneficiary of U.S. university graduates that originate in China, return to China; research programs that those individuals are on, and, of course, a massive amount of transfer of software and hardware designs for chips that are made in China, and then, exported in consumer products? That is fair to say?

Mr. Estevez. Yes, that is fair to say.

Mr. Issa. So, your assessment now -- or offline, if you think it is inappropriate for this venue -- of what cumulatively all this low-tech transfer will be on the actual items that we are trying to deter China from having? In other words, as their weapons development and others go forward, how much impact comes from your lack of authority to stop students from attending our universities; stop joint projects of research, and stop technology transfer of items which cumulatively build into technology capability?

Mr. Estevez. Because we are stopping the highest-end items, and we are, again, looking at where that line might move -- frankly, more stringent -- and we also have a university outreach program, but, certainly, China has an innovative ecosystem. Our
goal is to keep them a couple of generations behind from a military
perspective, so that they can't -- so that our military has a
deterrent factor.

Mr. Issa. Thank you.

Thank you, Mr. Chairman. I yield back.

Mr. Malinowski. Thanks.

We will next go to Representative Andy Levin of Michigan
for 5 minutes.

Mr. Levin. All right. Thank you, Mr. Chairman. I am
unmuted and honored to be here. And I want to thank Chairman
Meeks for holding this hearing today.

Mr. Under Secretary, I am going to pick up on some of the
questions that Joaquin Castro was asking you earlier.

As technology and warfare continue to evolve, it is so
important that the tools we have to end armed conflict, to go
after authoritarians, and to address corruption evolve as well.
And so, I want to focus my questions on human rights and the
export control regime.

First, as a strong defender of human rights at home and around
the world, I have long been concerned about how U.S. policy sets
an example for how we expect other countries to act. It is good
to see this administration taking care to build multilateral
c coalitions to prevent exports of technologies that help
facilitate Russia's brutal war in Ukraine and to blacklist
entities implicated in China's repression against Uyghurs and other Muslim minorities in Xinjiang province.

So, with that in mind, I would like to understand how the Department is applying these standards more broadly. My question is, what technologies does the Commerce Department, for instance, restrict to Saudi Arabia, the UAE, Bahrain, the Philippines, Egypt, or Ethiopia, given these countries' targeting of activists and journalists?

Mr. Estevez. So, for items that are on the control list that we license, human rights assessments are part of that, and, of course, that is done in conjunction with my interagency partners -- the Department of State, DOD, and the Department of Energy. So, obviously, State brings that, as well as our own licensing assessments, to preclude human rights items that they are facilitating --

Mr. Levin. I mean, are we restricting any technologies to any of those countries, based on all this collaboration?

Mr. Estevez. First, I am not sure what they are buying that would go into that, but I will have to get back to you on that.

Mr. Levin. Okay. I really appreciate that.

Mr. Estevez. We will do it.

Mr. Levin. I am so grateful that you are here. I know you are new on the job. And so, let's do that. I really will appreciate hearing back from you.
Mr. Estevez. Certainly.

Mr. Levin. You know, the Trump administration was able to reverse longstanding U.S. policy and remove the licensing of firearms out of the Department of State's jurisdiction and into Commerce's jurisdiction. As this happened, U.S. firearms exports exploded -- with experts estimating that exports of semiautomatic pistols, to pick one example, increased by nearly 125 percent in the last six months of 2020 compared to the last six months of 2019.

The U.S. licenses firearms to countries with abysmal human rights records, like Saudi Arabia, Brazil, and the Philippines. U.S. gunmakers have racked in profits while U.S. policy, unfortunately, helps enable the spread of guns abroad.

President Biden promised to move firearms regulations back into the State Department, but we haven't seen movement on that front. So, do you human rights considerations factor into your Department's decisionmaking for firearms licenses?

Mr. Estevez. Absolutely, Congressman. And again, I note that the Department of State is part of that licensing decision.

Mr. Levin. Great. So, can you give me any examples of when you did not issue export licenses based on human rights concerns?

Mr. Estevez. And again, I will have to get back to you on that.

Mr. Levin. Okay.
Well, let me ask you to get back to me on one other thing. And I know you joked about this earlier, but, in all seriousness, I want you to tell me whether you feel that the Commerce Department has adequate staff to be able to vet these decisions, you know, so that you can really -- there is a lot of these countries out there, right, and it is very complicated. So, let me know what your thoughts are on that.

Mr. Estevez. Yes, I absolutely believe we have adequate staff. And again, I will have to keep bringing it back; it is not just the Department of Commerce making those decisions. The Department of State is part of those licensing decisions. So, the same people who were looking at it before are looking at it now.

Mr. Levin. Well, thanks.

So, let me just end, Mr. Chairman, by emphasizing that lots of innocent lives are being lost to gun violence in these countries. And there are a lot of guns getting into the hands of people who shouldn't have them. And so, I hope that you, as the ultimate authority here, take responsibility.

And with that, Mr. Chairman, I yield back. Thanks so much.

Mr. Estevez. Thank you.

Chairman Meeks. [Presiding.] The gentleman yields back the balance of his time.

I now recognize Representative Ann Wagner of Missouri, who
is the vice ranking member of the full committee, for 5 minutes.

Mrs. Wagner. I thank you, Mr. Chairman and Ranking Member.

And I thank the Under Secretary Estevez for his time in service.

The openness of the American system empowers brilliant researchers from across the country and around the world to use their unique perspectives and intellectual capital to make all our communities more prosperous. The People's Republic of China, however, is bent on supplanting the United States as the global engine of innovation, discovery, and advancement. To do so, it seeks to turn our strengths against us, using a mixture of coercion and, frankly, outright intellectual property theft to gain an edge.

The U.S. export controls regime is the key defense against PRC subversion of American ingenuity. Equally important, export controls can be a weapon against adversaries like Russia, which relies on access to foreign technology to support its abhorrent war on Ukraine. Vigilantly enforcing our export controls is now more important than ever, as we protect American companies from complicity in Russia's assault on a free and independent nation.

Under Secretary Estevez, the Russian invasion of Ukraine should be studied as a lesson of the failures of U.S. export control policy across several administrations. It took three invasions of sovereign territory before the Bureau of Industry
and Security, or BIS, started to implement a high bar for exports
to Russian military end users. Why did BIS wait until 2022 to
apply such a standard, when Russia had already invaded Georgia
in 2008 and Crimea in 2014?

Mr. Estevez. You know, unfortunately, Congresswoman, I
agree with most of what you said there. I can't address what
grew on in BIS during my time in the Department of Defense. But
I happened to note that Russia, fortunately, was allowing us to
move supplies across Russian territory into Afghanistan. But,
you know, we always need to look at who our adversaries are and
who they may be, and we always need to be able to do an assessment
of what the right controls are on those particular enemies.

Mrs. Wagner. The United States waited until after -- after
Russia attacked before applying strict export controls on its
military end users. And yet, the buildup of Russian forces on
the Ukrainian border, which, no doubt, posed a significant risk
to U.S. interests, certainly met BIS's criteria for aggressive
controls. Clearly, waiting until after the invasion to apply
export controls neither prevented, nor deterred, Russian
aggression against Ukraine.

What were the failures of BIS's strategy in the runup to
the invasion of Ukraine, and how are you incorporating lessons
learned as we look to deter aggression against, for example,
Taiwan?
Mr. Estevez. So, first, BIS, of course, is not an independent entity in the government. We work with our interagency partners on what the right policies are going to be. With regard to Russia, frankly, being able to bring along the 37 nations that we brought along to put stringent controls on Russia, had we acted unilaterally, I don't think we would have had the same impact that we were having, which is why, when you start talking about --

Mrs. Wagner. But I think --

Mr. Estevez. Yes?

Mrs. Wagner. -- with all due respect, we could have brought them along with us during the buildup period of time. I just feel like it was way too late when they put those in place.

Mr. Estevez. Those negotiations were going on during that time. You know, to be able to snap it on February 24th is because we put that capability in place with them. Had we acted unilaterally, we would not, it would not have been as friendly in moving in that direction. Of course, they are global; it is not just in Europe.

With Taiwan, one of the reasons I want to discuss a multilateral framework built on the framework that we built for Russia is to build that playbook for future scenarios.

Mrs. Wagner. Well, I thank you for your time and your service.
And I yield back the balance of my time, Mr. Chairman.

Chairman Meeks. The gentlelady yields back.

I now recognize Representative Abigail Spanberger of Virginia, who is the vice chair of the Subcommittee on Europe, Energy, the Environment, and Cyber, for 5 minutes.

Ms. Spanberger. Thank you very much, Mr. Chairman. Thank you for hosting this incredibly important hearing.

And, Mr. Under Secretary, thank you for being with us.

So, Congress has recognized the Bureau of Industry and Security's valuable role in responding to Russian aggression by providing an additional $22 million in supplemental appropriations in the Ukraine Supplemental Appropriations Act of 2022. The Act also provides your agency with additional flexibility around staffing and appointments, and it is my hope that this additional flexibility will allow BIS to maintain a wide array of qualified specialists to ensure that the agency understands the current and emerging technical capabilities of industry.

Could you provide an update for us about how your agency has used these flexibilities, potentially, to staff up and meet the challenge? And if you could provide further comments on whether or not this flexibility in funding has been sufficient, or any other comments you would provide related to this funding and the stated goals?
Mr. Estevez. Sure. Thank you for that, Congresswoman.

First of all, we do thank the Congress, as I said in my opening remarks, for providing us that additional funding and the additional flexibilities. Obviously, we are working through the government bureaucracy, even with hiring authorities, to bring people on, but we are doing that. And I think over time it is going to be very helpful for us from a number of perspectives, including technology assessments. So, it is an important capability. Having the right people with the right skill set is key. And we are working through our hiring capability to bring on those people. And frankly, in the 2023 budget, we have a sustaining capability projected for that, which we hope to continue forward. So, I think it is important that you gave that to us, and we are going to use it to the best of our capability.

Ms. Spanberger. And how close to full complement are you in terms of your hiring that has happened?

Mr. Estevez. Not where I need to be, Congresswoman. At the beginning phase.

Ms. Spanberger. What are the particular skill sets that are still missing within your staff?

Mr. Estevez. Yes, I would have to go back to my folks and get the exact billets that are still vacant.

Ms. Spanberger. Okay. Well, just I will be curious to follow up on that one.
Mr. Estevez. Certainly.

Ms. Spanberger. And just pivoting to the 2021 NDAA, and the Defense Production Act that gives the Bureau broad authority to survey our domestic industrial base, these surveys help the Department paint a better picture of the NDAA state, as industries base -- excuse me -- our industrial base's vulnerabilities, and allow for more timely and effective policy interventions to protect our national security and ensure robust supply chains.

But, as followup related to some of the staffing shortages that have hindered these surveys' frequency, do you have any comments on how Congress can support more effective surveys by BIS to reduce these shortages and ensure that we are effectively and aggressively utilizing them to monitor our own security?

Mr. Estevez. I do, and I am actually very familiar with the House Armed Services Committee report on supply chains.

There are a number of tools that exist that are commercially available that do a pretty spectacular job on supply chain mapping. And Commerce needs access to some of those tools.

Again, I am trying to build that in our 2024 budget, and I am looking for capabilities within our 2023 budget to direct some money to go out and get some of those tools. That will help us on all sorts of industry assessments.

Any supply chain assessment -- and again, I come from a logistics background in the Department of Defense -- is a snapshot
in time. So, you need continuous monitoring in order to assess your supply chains.

Now, the COVID experience has shown, you know, the fragility of U.S. supply chains, and we really need to get our arms around that. And things like the CHIPS Act are a certain sector to help us make our supply chains more robust.

Ms. Spanberger. Could more updated surveys have been helpful — presuming that you might agree with that assertion — to us being able to monitor the challenges of supply chain shortages and the associated inflation?

Mr. Estevez. I do not —

Ms. Spanberger. And I am running out of time. So, I am going to have to actually follow up with that one in writing.

And, Mr. Chairman, thank you for this hearing. I yield back.

Chairman Meeks. The gentlelady's time has expired.

I now recognize Representative Andy Barr of Kentucky for 5 minutes.

Mr. Barr. Under Secretary Estevez, thanks for the call that you had with me about implementation of ECRA, the Export Control Reform Act of 2018. That change in the law came with FIRRMA, when we updated CFIUS, but, as I expressed to you in our Zoom call, I am concerned about the pace at which we are implementing ECRA. Can you commit to providing us a list of emerging technologies or foundational technologies? And I know from your
written testimony you want to call them Section 1758 technologies as a whole. Whatever. Can you provide us a list of what you have done to implement ECRA with the 1758 technologies?

Mr. Estevez. I will be happy to do that, Congressman.

Mr. Barr. What is the progress on that, on that implementation?

Mr. Estevez. Again, you know, as I told you, we have 38 out. Four are out for public comment right now. The first tranche is what we call 1758 because no one could decide whether they were emerging or foundational. Nonetheless, we will categorize it, once I get the rule passed on that.

Mr. Barr. Just as a practical matter, is this a hard problem for BIS to solve?

Mr. Estevez. It is a hard problem for anyone to solve. Because, for an export control, as I tried to explain to you on our Zoom call, you know, I need specificity around what I am controlling. So, I can't just say quantum computing; I need to know quantum computing algorithm of an AI algorithm.

Mr. Barr. Understand.

In the latest report to Congress, BIS processed 37,895 export licenses and approved 86.3 percent of them. BIS denied only 1.2 percent of licenses, or 454 licenses. At the same time, I believe BIS maintains an Entity List with 1,644 entities. Is that about right?
Mr. Estevez. About right. Close to 2,000.

Mr. Barr. Closer to 2,000? I think you said that there are 600 Chinese entities, and the Biden administration had --

Mr. Estevez. Or 598, or something.

Mr. Barr. Okay, 600 or so?

Mr. Estevez. Yes.

Mr. Barr. But only 454 licenses denied, close to 2,000 companies on the Entity List, which means their licenses should be denied. How many licenses to Entity-listed companies have been requested and approved?

Mr. Estevez. Yes, so, again, I mean, you know, that number is not a number I have off the top of my head. But let me make one point. Companies that know that they are going to be denied don't go through the cost of submitting a license for approval. So, if it is clear that there is going to be a denial, like 5G to Huawei, they are not going to submit a license that would allow a 5G capability to go to Huawei.

Mr. Barr. Well, if I could interject, what reason would BIS approve a license for a company on the Entity List?

Mr. Estevez. It depends on the licensing authority that we put on that. So, for example, Huawei, it is to stop their cloud and 5G capabilities, not their lower-end capabilities.

Mr. Barr. Let me ask you about capital flows. As you know, in 2020, President Trump issued an Executive Order prohibiting
investment in public securities of certain Chinese military, industrial, and surveillance companies designated by the Department of Defense. In 2021, President Biden expanded this Executive Order to include certain malign Chinese technology and surveillance companies. While these Executive Orders were welcomed, they did not adequately address the problem and leave some of America's greatest economic tools in the quiver.

My bill, the Chinese Military and Surveillance Company Sanctions Act, would bring the full weight of Treasury sanctions against these companies, which would go beyond restricting just U.S. investment in these companies, but also have the force-multiplying effect of OFAC signaling to non-U.S. Western investors not to invest in these companies.

Under Secretary Estevez, does Commerce coordinate with DOD and OFAC to make sure that there is cohesion among these lists? In other words, your Entity List is around 2,000, but, as I understand it, this OFAC list and this Executive Order list is only about 50 Chinese companies.

In your written testimony, you said, I think, you have got about 600 Chinese companies on your Entity List. If we are preventing investment in certain Chinese companies, do you believe we should also be automatically blocking export technology to those entities? And shouldn't we have a coordinated list -- the BIS China list and this Executive Order
list and the DOD list?

Mr. Estevez. Good question, Congressman, and I asked that very same question when I came to that. So, I am talking to Under Secretary Nelson, and I am talking to Under Secretary Kahl and Deputy Under Secretary Baker over at DOD, about these very issues.

Now, each of these lists has different rules and different ways you put companies on them, but I do want a harmonization without, you know, ruining whatever that list is supposed to do.

So, on the DOD list, for example -- and I said this earlier -- you know, I need to make sure that, if I put somebody on the Entity List, I am going to win in court. I know that DOD has lost in court.

But I do believe that there needs to be harmonization across these lists.

Mr. Barr. Thank you. I do, too. I appreciate that and let's work on that together.

My time is expired, but if we should not be exporting technology to these companies through BIS, we also should be blocking capital flows, in my opinion, to these companies.

Thank you. I yield back.

Chairman Meeks. The gentleman yields back.

And let me see. Representative Ronny Jackson of Texas, is he still on? He is not.

And I see Representative Brian Mast is walking in. So, as
soon as he gets himself adjusted, I will recognize Representative Mast for 5 minutes of Florida.

Mr. Mast. Thank you, Mr. Chairman.

How you doing today?

Mr. Estevez. I have done better, but I am happy to be here.

Mr. Mast. All right. Well, thank you for taking the time. I just want to make sure I understand the role correctly. Under Secretary for Bureau of Industry and Security, basically, charged with preventing bad actors from obtaining or using exported items? That would be a good layman's way of explaining it?

Mr. Estevez. Certainly.

Mr. Mast. Right. Asked to come here to discuss what is going on with exports as it relates to Russia and, certainly, in light of what they are doing in the Ukraine? That would be a fair --

Mr. Estevez. That is correct as well.

Mr. Mast. -- a fair explanation of what is going on today? So, in your role, with exports being your lane for the administration, has President Biden spoke with you about what would be minimum requirements that we would demand out of Russia to resume experts or commerce with them? And I will give you some specific examples that I thought up.

No. 1, has he expressed that Russia would have to be out
of Ukraine in order to resume exports?

Mr. Estevez. I have not talked to the President, and I am not aware of any discussion that we are having with Russia about what it would take, unless the Ukrainians are talking to the Russians.

Mr. Mast. So, not specific to questions that the President is talking to Russia about, I want to know what the President is talking to you about, being that you hold the lane of export controls, making sure that our exports are not used in a nefarious way by places that exports would go to, that being your lane. Has the President -- well, you just said the President has not spoken to you about this. So, the President hasn't spoken to you about what Russia would have to do or what countries they would have to get out of in order to resume exports?

Mr. Estevez. The President has made clear that Russia's invasion of Ukraine is a heinous, you know, war crime-based invasion of Ukraine, right. It is a terrible act, and Russia needs to get themselves back in alignment in the international

--

Mr. Mast. But he hasn't spoken to you about it specifically?

Mr. Estevez. It would be unlikely that the President would talk to an Under Secretary of Commerce about this. He would talk to a staffer technically.

Mr. Mast. Okay. To your knowledge, who has he spoken to
about requirements of what Russia would have to do, what they
would have to execute, in order for commerce to resume?

Mr. Estevez. I can't answer that question, Congressman.

Mr. Mast. Have you heard any talk about there would be any
requirement for any kind of war crime tribunal for Putin or any
other Russians in order to resume commerce?

Mr. Estevez. Again, I can only read what I read in the paper
on that.

Mr. Mast. So --

Mr. Estevez. And I haven't seen anything like that.

Obviously, the Ukrainians themselves, President Zelenskyy is
dealing, you know, has to make the decision on what he wants to
do with Russia. My views are irrelevant in that. As long as
Russia is in violation of the international norms, we will keep
our export control sanctions on them.

Mr. Mast. Your views are very relevant, though, because
you are the administration's representative coming to us, to
congress, specifically, to talk about Russia, Ukraine, and export
controls, making sure that they are not going to places that we
would consider bad actors, using exports --

Mr. Estevez. We will keep our export controls on Russia
as long as they are in violation of international norms.

Mr. Mast. So, I would think it would be likely that there
would be conversations with you, as the expert, one of the experts
in this lane, being that you are sent to Congress to testify to us, about whether, as I said, there would have to be a war crime tribunal. Or would they have to be out of Crimea, right? Would they have to be out of, you know, Ukraine? Would they have to enact some kind of nuclear demilitarization or have demilitarized zones along their borders? Or would Putin have to be removed from power?

The list could go on and on and on, but what you are saying is, to your knowledge, there have been no conversations about what Russia would have to do in order for the United States -- we make our own decisions; Ukraine doesn't make decisions for us -- for the United States to resume commerce?

Mr. Estevez. As you know, Congressman, there is lots of variations in what could happen in a negotiated settlement. I can't conjecture on what that negotiated settlement is going to look like --

Mr. Mast. But you have not been a part of those conversations, and to your knowledge, you don't know that there have been any?

Mr. Estevez. I have, you know -- my conversation -- I don't sit around with Secretary Blinken and Secretary Raimondo, and the National Security Advisor and the President, and make these decisions.

Mr. Mast. You all talk? I mean, it would be -- if you don't
talk, there are bigger problems that we have going on here. But, to your knowledge, that hasn't taken place, those conversations?

Mr. Estevez. Again, I am not privy to what the interagency decision that is on that.

Chairman Meeks. The gentleman's time has expired.

Mr. Secretary, I think all of the members are now voting. So, we are going to take a brief recess of about 5 minutes until the next vote is happening, and then, we will resume immediately thereafter.

The committee is now in recess.

[Recess.]

Chairman Meeks. I now recognize Representative Tom Malinowski of New Jersey, who is the vice chair of the full committee, for 5 minutes.

Mr. Malinowski. Thank you, Mr. Chairman.

I am very, very happy to have you here, Under Secretary.

I am a strong supporter of your work. I worked with Representative Kinzinger to try to get you more money and staff to be able to do it.

There are so many issues that have already been covered that are important. I am particularly interested in the role that you have played in one of the most important elements, I think, of this fight between democracies and autocracies around the world. And that is countering the efforts of countries like
Russia, and particularly, China, to promote the proliferation of surveillance technologies.

I mean, these totalitarian states are perfecting the technology of the modern surveillance state and they are exporting it to others around the world. And that is a risk to Americans. It is a risk to human rights. But it, also, I think, creates an opportunity for the United States to be seen as the counterforce, to be seen as the country that protects privacy of people around the world.

And in that respect, I want to applaud you for the very bold steps that you have taken, that the State Department has taken, in particular, listing the NSO Group and other similar companies on the Entities List. And I hope that work continues.

In the same vein, I want to address something I think is a gap in our current laws. You have the authority right now to prevent Americans and American companies from working with foreign military intelligence agencies in ways that might be counter to our interests. And you have used that authority, for example, to prohibit engagement with the Russian GRU, their military intelligence agency.

But let me ask you, say an American PhD student were to go to Russia and contract with the FSB to invent some new hacking tools for them, or an American company were to contract with the Chinese police in Xinjiang province, where the Uyghur genocide
is underway, to help upgrade, say, their IT system. Would you have the authority to prevent that?

Mr. Estevez. Thank you for that, Congressman. And in the answer, thank you for your sponsorship of the U.S. persons amendment that is out there. Should it not end up in the CHIPS bill, we will work with you to get it in something else, because it is critical to cover that gap that you just explained.

Mr. Malinowski. Well, thank you so much.

So, in other words, you don't have that authority right now?

Mr. Estevez. Do not have that right now. I am waiting for a bill to pass.

Mr. Malinowski. Okay. And I think most of us would be surprised to learn that you don't have that authority.

And also, a reminder that there is a lot of good stuff in the COMPETES Act that was bipartisan. There were some things my Republican colleagues opposed, but there were a number of things that I think we should continue to work on a bipartisan basis, and I know Representative McCaul strongly agrees with that as well.

I have also got a concern about -- and we have talked a lot about China already at this hearing -- about companies, Chinese companies that have full access to our economy -- companies like Alibaba, for example, that are listed on the U.S. Stock Exchange. And yet, they are themselves major shareholders in companies
that you have placed on the Entities List, companies that are sanctioned by the United States that do business with the Chinese military, and that right now, very important to note, do very significant business in Russia. And I wonder if you have any thoughts about what we can or should consider doing about companies in that category.

Mr. Estevez. Thank you for that, and I do. You know, I was just given some recent authorities around something called ICTS, telecommunications and software services, things like Alibaba would fall into that line, other things, other companies as well. We have opened up investigations, and we have authorities around that. What I do need is, in my 2023 budget, I have asked for manpower in order to really execute that mission, because right now I am doing it with, essentially, borrowed manpower and some duct tape.

Mr. Malinowski. Good. Well, duct tape, we are happy to appropriate funding for all of that and more, and --

Mr. Estevez. It is the normal DOD use.

Mr. Malinowski. Good. They probably pay like a million dollars for one duct tape. Anyway, we won't go there.

I yield back. Thank you so much.

Chairman Meeks. The gentleman's time has expired.

I now recognize Representative Scott Perry of Pennsylvania for 5 minutes.
Mr. Perry. Thank you, Mr. Chairman.

I don't know; a million dollars for duct tape, I hope not.

One roll of duct tape, right?

Thank you very much, Mr. Secretary, for being here. I want to talk to you a little bit about export controls vis-a-vis Russia and Ukraine, and then, China.

I think you said, back in March, that Commerce would absolutely enforce export controls on Chinese companies if they send semiconductors to Russia. But it took until the end of June -- okay, so that is March to June -- and, you know, Russia gets 70 percent of its technology imports from China, and it obviously was after the invasion took place that Commerce applied the export controls. Did you guys get caught flat-footed or what was the purpose or the reason for the delay?

Mr. Estevez. First, you know, building the coalition necessary to put the stringent controls on some multilateral, global bases, 37 like-minded countries, which is what really is squeezing Russia. It is not just us alone. We worked hard on that. You know, before I even got to Commerce, they were working hard on that.

Once those controls went into place, then it is a matter of monitoring what is going on. So, you know, investigations take time to ensure that you know what you are investigating, and that when I put someone on the Entity list -- and I have six
Chinese companies on the Entity List for backfilling Russia -- that my investigation had the authorities that it can stand and withstand a lawsuit, because we do follow the rule of law in our processes.

Mr. Perry. Well, I appreciate that. It just seems like it takes an inordinate amount of time, and I am sure it is kind of like herding cats; I suspect it is. So, I appreciate it, but it is really frustrating for us to watch this happen, and it just seems like it takes too long.

So, if there is something that we need to change here -- look, due process is important, so you need to follow that and make sure before you list companies/countries that you are absolutely certain. You don't want to destroy reputations willy-nilly; we get that. But if there is something that Congress needs to do to help this go faster in the face of some of these things, you need to let us know that.

Congress, as you know, has repeatedly recognized -- through mandated reporting, and by the Department of Defense on Chinese military companies -- it seems, here again, that the Department has neglected to act on many of the companies listed on DOD's 1260H list. It seems like it is not even doing the bare minimum there. What is your response to that?

Mr. Estevez. So, earlier on, I answered a question on harmonization of the lists a little while ago. DOD's list has
different rationales than our list. With that said, I am all about getting these lists harmonized.

Now, DOD's list has had people sue them and get off the list. I do not intend to have that happen on the Entity List because I want us to stand the Entity List as a powerful tool that it is.

So, we are working with DOD, and I have already started talking to the policy folks at DOD that sustain that list who are, you know, people that I have worked with in the past from my time at DOD, to ensure that we have the right rationale and that we can build off their list onto our list.

Mr. Perry. So, do you think that, was DOD capricious? Did they not have the facts straight, correct, straight, when they listed these entities? And how many are we talking about here where they were sued, and then --

Mr. Estevez. I am aware of one suit, and I can't, you know, I am not inside DOD for that process. Nonetheless, I agree, we need to reconcile the lists.

Mr. Perry. So, it sounds like one company, right? Is that --

Mr. Estevez. One company sued and got off their list.

Mr. Perry. And they won? Won in --

Mr. Estevez. They won, that is correct.

Mr. Perry. All right. So, we got, I think, how many on
DOD's list? Do you know?

Mr. Estevez. Not off the top of my head.

Mr. Perry. I mean, is it hundreds or thousands?

Mr. Estevez. It is hundreds, I am sure.

Mr. Perry. It is hundreds? I would think so as well.

Look, this is important stuff. And if we are going to err on the side of caution with our enemy -- look, we want due process, but, you know, it is often said you can sue a ham sandwich or you can indict a ham sandwich in the United States, right? So, just because they have sued, and because one maybe got lucky, or what have you, I would think that, if you are going to defer to somebody, it would be deferring to those who are trying to secure our national security, if you have got to make a call.

Mr. Estevez. I mean, Congressman, first of all, we put 107 companies on the list. Two, as a person who lived his life in DOD, I understand the same views that they have, and I am doing everything I can to protect that. We are going to put people on the list that deserve to be on the list.

Mr. Perry. Thank you, Mr. Chairman. I yield the balance.

Chairman Meeks. The gentleman yields back.

I now yield to Representative Dan Meuser of Pennsylvania for 5 minutes.

Mr. Meuser. Thank you very much, Mr. Chairman.

Mr. Under Secretary, good to see you. Thanks for being here
with us.

So, this might be some repetitive questioning. But the current level of sanctions on Russia, is there something more that you believe that we should be doing, extending more countrywide export controls on items such as semiconductors? And I am also concerned about the level of technology transfer, as many have questioned here, purchased from China, and then, shipped to Russia. Maybe you could comment on both?

Mr. Estevez. Sure. Well, thank you.

For Russia, now we have pretty stringent controls on Russia, including a full semiconductor ban, you know, about 72 percent reduction in semiconductor exports. We are continuing to look at other options that we can to tighten controls where we can. We are doing that with the 37 nations that are a part of our coalition, including, you know, the full EU, Great Britain, our allies in Asia. They are all part of this coalition. So, where we see additional things that we can do to squeeze the Russian military to break their capability, I am all in.

With regard to China and China's backfill, again, we have not seen a concerted effort. But, from my guidance, my enforcement approach, that is their No. 1 priority, and we are working that. Of course, not just my enforcement folks; across the interagency, working with the intelligence community, the data that they have, and frankly, working with our allies -- and
the good folks in Canada and Finland, to make sure transshipment points don't enter.

Mr. Meuser. What level of intensity would you say exists on a scale of 1 to 10? Is it a 10? Is it a 7?

Mr. Estevez. Oh, that is a difficult question, but can the scrutiny, can the analysis, can the pressure be raised? You know, I think we are operating at a 10. I know my folks are running like they are at a 10. I will quote Spinal Tap, if I might, and say I'm always willing to rack it to 11, if I can find the ability to do so.

Mr. Meuser. Let me ask you, what about India? How do we feel India is treating their business with Russia?

Mr. Estevez. Yes, I mean, overall, we have seen reductions for the people who are not part of the coalition, a 40 percent drop in exports to Russia. You know, India has other issues that they are dealing with with Russia, but I think, from a tech perspective and a capability that would help Russia's military, I think it is actually doing the right thing.

Mr. Meuser. Is BIS or the administration heavily engaged in really doing everything possible to fortify Europe with the impending energy disaster that we believe may occur this winter related, primarily, to natural gas? Or, of course, Europe may need to cut deals with Russia, as you well know, which will certainly improve their situation related to Ukraine. So, what
is the administration's thoughts there? What are your thoughts
there? What are we doing to help Europe in that regard?

Mr. Estevez. I mean, obviously, that question is outside
of my own purview on export controls. But we have a strong dialog,
a continual dialog, with our European partners on all these issues
-- ensuring that we are in sync with them, and they are in sync
with us, on what we can do to (a) strangle Russia and ensure the
viability of the West in doing so, and not breaking our coalition,
which is a fantastic coalition.

Mr. Meuser. All right. Thank you. Mr. Chairman, I yield
back.

Chairman Meeks. The gentleman yields back.

I now recognize Representative Mark Green of Tennessee for
5 minutes, who is the ranking member of the Subcommittee on the
Western Hemisphere, Civilian Security, Migration, and
International Economic Policy.

Mr. Green. I know, Mr. Chairman, it is a mouthful, isn't
it?

Chairman Meeks. Created by me, yes.

[Laughter.]

Mr. Green. Thank you, Chairman Meeks and Ranking Member
McCaul.

And I want to thank our witness for being here today and
testifying. Thank you, Mr. Secretary.
I am very concerned with the failure of the U.S. export
control policy, in particular, the failure of Commerce and the
Bureau of Industry and Security to act. According to the
Congressional Research Service, the federal government only
controls or restricts a fragment of U.S. technology exports to
China. And since the 1990s, BIS has removed or waived licensing
requirements from the Commerce Control List for much of the U.S.
technology trade to China. In fact, in 2020, roughly 18 percent
of the $124.6 billion exports to China involved dual-use
technology on the Commerce Control List which are subject to
controls.

I am concerned the China COMPETES bill, which subsidizes
semiconductor production without export control guardrails to
safeguard this very technology from falling into the hands of
the People's Liberation Army, is moving forward. Fortunately,
it is in conference and we can, hopefully, get it amended, but
there is the concern. Many military firms do not even appear
to be on the BIS Military End User List or the Entity List. In
fact, BIS seems to be, basically, ignoring what is going on.

Mr. Secretary, you have said that BIS's primary goal is to
prevent malign actors from obtaining or diverting items,
including technologies, over the past 10 years. Do you think
that BIS has achieved this goal with respect to the Chinese and
the Russian militaries, considering the PRC's advancements in
technology like hypersonics and the Russian invasion?

Mr. Estevez. Let me address Russia first, and then, I will go into the Chinese issues.

So, Russia, obviously, we just put on these stringent controls. But, essentially, we will squeeze Russia's military and their ability to sustain forces. And I come from that knowing, you know, from my acquisition background and the logistics background in the Department of Defense, where I spent my career, what it takes to sustain forces. And I know you understand that, too.

With regard to China, now so, the bulk of what gets exported is not stuff that is controlled -- soybeans and paper products, and things like that. So, let's focus on the stuff that is on the CCL. And, yes, it is a small amount that is going under license. We do have a review going on, because, frankly, you know, I am three months in the job. I came in and said, "What are we doing here?"

I am very concerned over what can go to China. Now, I will say that I am pretty confident that the highest-end things, like microelectronics, from U.S. origin are stopped. We are looking at other tools, other capabilities, and we are working with our allies, because you really need to do this not just with the United States. You need to do it with the other partner nations, who are our allies, to do this properly.
Mr. Green. If I could jump in, you know, I am aware of a robotics company from Massachusetts that was purchased by the Chinese. And it turns out we didn't realize until later that the real goal wasn't the robotics, but it was the AI. And so, it missed the export controls, right, because we were thinking, oh, it is a robotics company. So, it is things like that that have people, particularly on my side of the aisle -- and actually, Members on the other side of the aisle that are national-security-focused -- frustrated about this.

I have got about a minute left. So, what is the rationale for not using the same stringent export controls on the Chinese military end users as you are currently doing with Russia?

Mr. Estevez. So, the Chinese is a different problem. I need to have a multinational focus on that. Because if I cut off U.S. exports, we might feel good about it, but we are not achieving the end. And I am all about achieving the end goal, which is precluding the Chinese military from advancing their capability.

You know, I read a statement where you were talking about overmatch. I spent a career building overmatch, and I want to ensure that U.S. forces always go into a fight that they are going to win --

Mr. Green. Yes.

Mr. Estevez. -- because we have given them the great
capability. And I want to ensure the Chinese do not get that capability.

Mr. Green. Okay. Well, I appreciate you being here, and I realize coming before Congress only three months into the job is somewhat of a challenge. But we will look forward to you getting a handle on this and fixing some of those, what I think are some holes, like the example I gave.

Thank you.

I yield, Mr. Chairman.

Chairman Meeks. The gentleman yields back.

I now recognize Representative Brad Sherman of California for 5 minutes.

Mr. Sherman. Thank you.

I think we should recognize that Russia has massively underperformed in Ukraine, in large part because of the lack of technology and a lack of weapons. They are now having to go to Iran to try to import drones. When I grew up, the Soviet Union was a superpower.

The second thing we should observe is that we have an enormous trade deficit with the world. And under such circumstances, we need to sell something. And we should not be surprised when China, for example, buys assets in the United States because we have created a circumstance where they don't have to buy our goods, and we are buying -- they have clear access to us and we supposedly
have huge tariffs on them, and those tariffs average less than 5 percent. So, giving China huge access to our market weakens us and puts us in a position where they have all the cash they need to buy assets rather than goods.

Every time we refuse to export something to the world, I think as the Under Secretary has kind of illustrated, and they are able to get it from somewhere else, we have weakened our industrial base because we are not getting the orders for those goods, and we strengthen the industrial base of the other place that is providing those items. And by definition, those are countries that are following our lead.

We have finetuned our requirements on what we won't export to Russia. And as you point out, that is a different strategic objective and a different strategic threat than China. Have we finetuned what we are not exporting to China?

Mr. Estevez. Thank you for that.

You know, we continue to finetune, in your words -- and I guess I would use those same words -- what we are allowing exported to China. Now, again, I need to point that out, and as you articulated in your comments, we need to do that with our allies and partners, because we are not the only people who make certain capabilities.

Mr. Sherman. Right.

Mr. Estevez. And I think we can bring them along. I think
that there is an opening for that. And the Russia coalition actually is --

Mr. Sherman. Name the one country that Americans think is our ally that have not been helpful with regard to Russia since the invasion.

Mr. Estevez. I would rather not do --

Mr. Sherman. I know, but you are here and I am asking you.

Mr. Estevez. Well, you know, we have been asked quite --

Mr. Sherman. I mean, I could go down the list of countries and say, "Give them a grade. Give them a grade."

Mr. Estevez. Yes.

Mr. Sherman. Just tell me, who is -- which --

Mr. Estevez. Countries I would love to be part of the coalition are people like India, people like Brazil. Now, I don't think, as I said earlier, that they are actually providing the capability that Russia needs, which is a good thing. And I understand that, you know, they have their own issues, but I would love to see them part of the coalition.

Mr. Sherman. Are the more advanced Western countries or technological countries, and those countries with a greater technology than India and Brazil, are they cooperating?

Mr. Estevez. Yes, they are.

Mr. Sherman. Good.

I would point out that -- what is it? -- 107 Chinese entities
have been added to the organizations list just in this administration. So, you are, clearly, focused on doing your job. And my job is to conclude before my time has expired. So, I yield back.

Chairman Meeks. The gentleman yields back.

I now recognize Representative August Pfluger of Texas for 5 minutes.

Mr. Pfluger. Thank you, Mr. Chairman. And, Under Secretary, thank you for being here. Previously, in some of the questions, you mentioned overmatch and you mentioned with regards to the Chinese military end users, the sole goal or the goal objective of yours being to preclude them from getting the requisite technologies, the capabilities.

So, I just kind of wanted to expand on that. You know, learning what we have learned, knowing what we know now, what is your strategy? Is it a before-invasion understanding that Xi Jinping has that desire or at least has said he is not going to rule out the use of force for Taiwan? Or is it an after-the-fact strategy?

Mr. Estevez. Yes, so our strategy for competing the Chinese military's capability to modernize at the same level of our capability, that is a "now" thing. We are absolutely working and assessing what we need to do to stop exports of, or to put
restrictions on, to stop that. Now again, a lot of that needs
to be done with our partners.

So, I am in the position right now where we built this
coalition around Russia. It is a great thing to use that as the
springboard to bring around a full coalition of people to focus
on that same problem set in China.

Mr. Pfluger. Yes, I think there has ever been a threat
environment that is this complex, this severe, that takes on the
different domains in away that we are now seeing -- whether it
be cyber or physical, or any other threat. So, I would really
encourage you to continue to do what you said, which is to preclude
them from getting this, because more could have been done in
Ukraine; more could have been done with regards to Russia to
prevent Ukraine from happening.

Mr. Estevez. I mean, we are always -- now, my job is not
on the full deterrence picture, right. That is an interagency
thing, including my counterparts at DOD. And again, I fully spent
my life or my last 10 years at DOD looking at the China problem,
right. So, we need to have the full gamut of American power and
the power of all our allies to do that properly.

Mr. Pfluger. One of the things that Chinese companies are
notorious for doing is just simply changing their name and moving
from this shell to another shell. An example of this is Honor,
And I am not sure if anybody hears this background feedback on the microphone. Apologies for that.

But the sale of Honor was not a market-based sale; it was a state-based sale. And, you know, the same concerns about technology exports to Honor, when it was part of Huawei supply under its current form and its current structure. So, can you kind of talk to me, the ultimate disposition, not just for Honor, but for Entity List designation for those companies that move just name only?

Mr. Estevez. So, again, I won't specifically talk about any specific company or a specific investigation that I have. However, with regard to spinoffs, that is one of the things I am looking at to see, you know, what we should be doing for a spinoff that is, essentially, may or may not be a front company, if you would. So, I want to make sure that, if we see that, that we Entity List down or we take appropriate action, depending on what that might be.

Mr. Pfluger. What do you view the threat of Confucius Institutes at our universities in the United States? What is your perspective on that and the threat level?

Mr. Estevez. Yes, I can't specifically address Confucius Institutes. I will address higher ed, in general. You know, obviously, we have a crown jewel of higher ed and an innovation ecosystem around that.
We have stood up a university outreach program with export control officers explaining the threat, giving them the threat, assigning to key universities specific people to be talking to them, and we prioritize that engagement with our outreach officers.

Mr. Pfluger. There is no question in my mind, and based on your previous work in DOD, the DOD did a fairly good job of identifying these companies, the spinoff companies that were -- you know, you can track them and they can be named to an Entity List, and the next time they changed.

Mr. Secretary, it is critical that we do this work now. It is absolutely critical that we identify and that we take the appropriate action, when it comes to your new domain, to prevent this carnage from happening in another area of the world.

Mr. Estevez. That is our focus, Congressman.

Mr. Pfluger. Mr. Chairman, I yield back.

Chairman Meeks. The gentleman yields back.

Are there any other members requesting time? Any other members requesting time?

[No response.]

Hearing none, I will now thank the members for their questions.

I particularly thank Under Secretary Estevez for his time and his invaluable insight on our export controls against Russia;
also, what he is doing in regards to China.

I would also like to thank Ranking Member McCaul for his partnership in working on this timely hearing.

And to all of the members, I think that this was a very insightful hearing and we received valuable information.

I am also grateful to the important work that BIS and the Biden administration have done to respond to Russia's war and to rally the world to Ukraine's aid. I know everyone at BIS has been working tirelessly, not to just roll out these controls, but to ensure that they are effective and that they are enforced.

We appreciate that. We appreciate working collectively together in a multilateral way.

This is a moment of adversity and challenge, not just for Ukraine, but for Europe and the democracies around the world.

Export controls continue to be a critical tool for the United States in these fights. And we, as a nation, must develop the framework on how we want to use the leverage of export controls going forward -- working in tandem, again, with other countries.

I can't stress that enough, working -- because doing it alone, we cannot be successful. And if we continue to work in tandem, these controls are effective, while also allowing the United States to remain economically competitive and a leader in science, technology, and innovation.

So, I look forward to continuing with all members of this
committee on this critical issue. We may have the Secretary back, so that we can talk in a different setting and get his additional insight.

And again, we thank you for your expert testimony we have heard today.

And this hearing is now adjourned.

[Whereupon, at 12:39 p.m., the committee was adjourned.]