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6 ASSESSING THE U.S. ECONOMIC POLICY

7 RESPONSE TO RUSSIA'S INVASION OF UKRAINE

8 Tuesday, July 19, 2022

9 House of Representatives,

10 Committee on Foreign Affairs,

11 Washington, D.C.

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15 The committee met, pursuant to call, at 10:15 a.m., in Room

16 2172, Rayburn House Office Building, Hon. Gregory Meeks [chairman

17 of the committee] presiding.

18 Chairman Meeks. [Presiding.] The Committee on Foreign
19 Affairs will come to order.

20 Over the past five months, we have seen Russia engage in
21 an unjustified and inhumane war against Ukraine. This past week,
22 Russian cruise missiles leveled the Ukrainian city of Vinnytsia,
23 in an act President Zelenskyy described as "an act of Russian
24 terror" that killed over 20 and injured over 100 civilians.

25 Russia's inhumane and despicable war has led to the death of
26 approximately 5,000 Ukrainian civilians, including 400 children.

27 With its indiscriminate bombing of cities and murder of countless
28 captured civilians, Russia is being investigated for over 23,000
29 war crimes. Through it all, the world has seen and been inspired
30 by the bravery of the Ukrainian people.

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

39 In addition to robust sanctions, the United States has put
40 in place crippling export controls that are putting great pressure
41 on Putin at home. For example, the Department of Commerce's

42 Bureau of Industry and Security has implemented expansive
43 controls on dual-use items to keep critical technology out of
44 Russia -- further debilitating Russia's economy and undermining
45 Putin's war effort in Ukraine.

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

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

63 As a result, the value of U.S. exports to Russia has fallen
64 by approximately 90 percent, American sales in the aviation and
65 aerospace industry to Russia are down to almost zero, and Russia's

66 global imports of crucial semiconductors have fallen nearly 75
67 percent, making it very difficult for Putin to sustain a modern
68 global economy and military.

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

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

89 And with that, I yield my remarks. I now recognize the

90 ranking member, Mr. McCaul of Texas, for his any remarks he might
91 have.

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

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

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

106 First, I would like to discuss the Russian invasion of
107 Ukraine. And while there is a narrative that the U.S. Government
108 has taken sweeping export control actions, I am concerned that
109 the BIS failed to act during the 2008 Russian invasion of Georgia
110 or the 2014 annexation of Crimea and the war in the Donbas region.

111 It is inexcusable we didn't do more to stop the Russia's military
112 modernization, as Putin seeks to rebuild his Russian empire.

113 And even with stronger rules on Russian military end users,

114 I am increasingly concerned about certain blind spots. The
115 Congressional Research Service warns that, quote, "The U.S.
116 Government may not have sufficient visibility and access to
117 enforce its controls on Russia through China's trade." Last
118 week, The Wall Street Journal reported that Chinese firms are
119 selling Russia goods, its military needs, to keep fighting in
120 Ukraine.

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

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

133 The CCP is blurring commercial and military distinctions
134 to undermine a core tenet of U.S. export control regime that
135 assumes there are clear distinctions between military and
136 civilian use. We recently witnessed a PRC hypersonic missile,
137 a test where they fired a missile which circled the globe and

138 landed with precision. This missile can also carry a nuclear
139 warhead. This was only possible through the U.S. technology that
140 was sold to them from the United States. We gave it to them.

141 In fact, the Export Control Reform Act demands more
142 aggressive controls on countries like China. However, the
143 numbers tell a different story. If you see the visual, CRS found,
144 roughly, \$125 billion in U.S. exports to China; there were over
145 \$125 billion in 2020 of U.S. exports to China. Out of that, BIS
146 required licenses for only 2 percent of exports -- only 2 percent
147 of the \$125 billion. Alarming, 99 percent of controlled
148 technologies went to China without a license, without being seen
149 by BIS.

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

154 The problem goes deeper. Our committee was given data that,
155 even when PRC companies are put on the Entity List, it is not
156 guaranteed that licenses will be denied. During a six-month
157 period that spanned two administrations that was provided to this
158 committee from BIS, we found that BIS denied less than 1 percent
159 of the license applications for Huawei and SMIC, approving license
160 applications worth \$100 billion to Huawei and SMIC, which is
161 China's chip manufacturing company.

162 It is clear the current policy and strategies are not
163 working. And, in fact, after the initial documents were turned
164 over to the committee, we requested every three months an update,
165 and to date, we have not received any updates since the first
166 tranche of documents, perhaps because it was quite revealing and
167 maybe quite embarrassing.

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

172 We are in a generational competition with a determined
173 adversary. Your agency is tasked with a very important role.

174 I believe you have waited too long to act against Russia, and
175 now we are seeing the results unfold in real time. We cannot
176 make the same mistake with the CCP, as their actions are
177 increasingly hostile towards Taiwan in the South China Sea.

178 So, as our chief technology protection officer, sir, you
179 must overhaul your agency before it is too late [audio
180 malfunction] government to work with us on this important mission.

181 So, I believe it is time; it is time that all of us, including
182 you, sir, that we get to work on this. And I look forward to
183 working with you.

184 And with that, I yield back.

185 Chairman Meeks. The gentleman's time has expired.

186 And I now want to introduce our witness.

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

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

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

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

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

207 You are now recognized.

208 STATEMENT OF ALAN F. ESTEVEZ, UNDER SECRETARY OF COMMERCE FOR
209 INDUSTRY AND SECURITY, BUREAU OF INDUSTRY AND SECURITY, U.S.
210 DEPARTMENT OF COMMERCE

211

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

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

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

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

232 out foreign policy objectives.

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

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

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

243 We are choking off exports of technologies and other items
244 that support Russia's defense, aerospace, and maritime sectors
245 and are degrading Russia's military capabilities and ability to
246 project power. For example, overall U.S. exports to Russia have
247 decreased approximately 88 percent by value since last year, and
248 other countries implementing similar controls have seen overall
249 export decreases around 60 percent. Importantly, since our
250 controls have fully taken effect, worldwide shipments of
251 semiconductors to Russia have dropped 74 percent by value compared
252 to the same period in 2021. Also, reports indicate that Russia
253 will have to ground between half and two-thirds of its commercial
254 aircraft fleet by 2025 in order to cannibalize them for parts
255 due to controls that we have implemented.

256 This is one of the most aggressive and uses of export controls
257 against another country, and the effects would not be possible
258 without the coalition of 37 other countries so far who have got
259 these substantially similar controls on Russia and Belarus.

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

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

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

280 controls.

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

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

294 For the United States to maintain effective export controls
295 and technology leadership, we need to coordinate with others.

296 Our work with the 37 other countries to implement the Russia
297 controls helps us provide a blueprint for further progress. We
298 need to work with our allies to develop a 21st century export
299 control framework for the digital age, which includes working
300 with like-minded suppliers of sensitive technologies, as well
301 as addressing the use of commercial technologies to commit human
302 rights abuses.

303 Finally, enforcement is critical to ensuring effective

304 export controls, and we are working with partners across the globe
305 to enhance export control enforcement.

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

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

311 [The statement of Mr. Estevez follows:]

312

313 ***** COMMITTEE INSERT *****

314 Chairman Meeks. Thank you for your testimony.

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

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

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

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

330 I will be banging the gavel at 5 minutes.

331 I will start by recognizing myself for 5 minutes.

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

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

337 We are certainly impacting Russia's capability to sustain

338 their forces over time. So, the cutoff of microelectronics to
339 Russia from us and from our like-minded allies, essentially, will
340 stop them from being able to build the highest-end military gear;
341 for example, precision-guided munitions.

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

347 Chairman Meeks. Well, thank you.

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

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

359 And the aviation sector is another sector where they are
360 certainly going to run out of parts and spares, certainly, for
361 commercial aircraft, but it will impact their military capability

362 as well. They need the parts from the West in order to do that.

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

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

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

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

382 Mr. Estevez. So, there is an interagency review looking
383 at that. I am on public record of saying I believe we need a
384 new regime. We have been talking to allies about that. And it
385 is not just for Russia; it is about China, let's be clear. The

386 tech threat from China and their diversion of technology through
387 civil-military fusion for human rights abuses and building power,
388 and threatening their neighbors, is as important for a new regime.

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

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

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

401 [Laughter.]

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

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

409 There are some other missions that I received that are embedded

410 in that. So, could I use resources? Certainly. Will I do it
411 with what I have? Absolutely.

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

414 I now yield to Ranking Member McCaul for 5 minutes.

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

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

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

426 Mr. Estevez. That is correct.

427 Mr. McCaul. And that should be the case. And so, if someone
428 violates export controls, you put them on the Entity List. I
429 want to show you a visual. This is from TechInsights. It is
430 a well-known publisher, lead provider of advanced technology
431 analysis. The January TechInsights did a breakdown. This is
432 a Huawei smartphone called the Enjoy 20e. It is a picture of
433 the main board in the Huawei smartphone, but there is a large,

434 black square in the upper middle of the main board that is
435 identified as an advanced memory chip made by a company called
436 YMTC. Are you familiar with YMTC?

437 Mr. Estevez. I am, sir.

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

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

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

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

456 Mr. McCaul. And if you could prove that that was from YMTC,
457 and that it was put in a Huawei control board in their phone,

458 that would violate U.S. export controls, would it not?

459 Mr. Estevez. That is correct, sir.

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

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

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

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

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

471 Mr. Estevez. I'm sorry, sir?

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

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

476 Mr. McCaul. Yes.

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

480 Mr. McCaul. Yes, as an attorney, I fully appreciate that.
481 I would just ask that you keep the committee informed if, in

482 fact, there is an investigation, or if there is another setting
483 where we can meet and talk about it. And certainly, if you come
484 to a conclusion, we would like to have those results.

485 Mr. Estevez. Of course, sir.

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

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

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

501 Mr. McCaul. Okay.

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

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

506 Mr. Estevez. Understood.

507 Mr. McCaul. I yield back.

508 Chairman Meeks. The gentleman's time has expired.

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

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

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

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

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

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

528 Mr. Keating. Well, yes, I was looking for outside. And
529 I don't want to get into sources and methods. I just want to

530 get a sense, has China increased their exports of some of this
531 stuff?

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

534 Mr. Keating. India?

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

536 Mr. Keating. Yes. India?

537 Mr. Estevez. No.

538 Mr. Keating. Taiwan?

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

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

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

549 Mr. Estevez. I mean, there is always going to be bleedover
550 because we are impacting Russia's economy as a whole. Now, the
551 focus of our controls are around their ability to sustain their
552 military operations, but, certainly, as their economy contracts,
553 there is going to be impact on the Russian people. Now, with

554 that said, you know, we allow exports of medicines and things
555 like that, foodstuffs.

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

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

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

568 Mr. Estevez. Absolutely.

569 Mr. Keating. The chairman mentioned it in his opening
570 statement, about the importance of the multilateral aspect of
571 this. Are we working and what would you see as the prospects
572 for our expanding beyond the 37 countries that we have currently?

573 I mean, is this ongoing? I know you can't get involved in
574 negotiations in a public setting like this, but what is your
575 overall impression? Is it expanding? Is it promising at this
576 stage? What kind of response are we getting from other countries
577 to expand the number that we have now?

578 Mr. Estevez. You know, and, of course, State Department
579 would have the lead in a lot of that. But, in my discussions
580 with other countries --

581 Mr. Keating. Yes?

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

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

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

602 concerted effort and we are going to win that effort.

603 Mr. Keating. Great. Thank you.

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

605 Chairman Meeks. Thank you, Mr. Keating.

606 The gentleman yields back of his time.

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

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

611 And thank you for testifying, Mr. Under Secretary.

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

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

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

623 Mr. Chabot. Okay. Thank you very much.

624 Be that as it may, Congress gave BIS new authority under
625 ECRA, and in light of the intent of ECRA and these new authorities,

626 do you think it is BIS's role to prevent China from monopolizing
627 the industries of the future?

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

633 Mr. Chabot. Right.

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

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

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

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

648 Mr. Estevez. First, let me raise the fact that we need to
649 pass CHIPS to begin with. I want to thank Congressman McCaul

650 for his leadership on that. I know you care deeply about that
651 as well.

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

655 Mr. Estevez. Yes.

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

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

661 Mr. Chabot. Right.

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

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

671 Mr. Chabot. Certainly.

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

674 in his letter --

675 Mr. Chabot. Certainly, yes.

676 Mr. Estevez. -- with Secretary Raimondo.

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

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

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

697 Mr. Estevez. BIS, in and of itself, you know, doesn't have

698 that, can't make China policy. However, I am looking at our China
699 policies for what I can control. And certainly, from a
700 whole-of-government perspective, and again, as a former DOD guy,
701 I view this as a phase zero operation to ensure that we deter
702 China from even thinking about it.

703 Mr. Chabot. Thank you.

704 Chairman Meeks. The gentleman's time has expired.

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

709 Mr. Castro. Thank you, Chairman.

710 And thank you, Secretary, for your testimony today.

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

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

719 Small arms exports are up at least 30 percent over the last
720 16 months. And the Bureau of Alcohol, Tobacco, and Firearms
721 estimates that over 70 percent of firearms ceased by Mexican law

722 enforcement can be traced back to the United States. A large
723 proportion of these weapons were legally exported from the United
724 States to these countries, and then, fell into the hands of
725 criminals.

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

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

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

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

744 Mr. Estevez. Sure. The movement of the authority of
745 oversight of exports of firearms from State to Commerce actually

746 did two things. It put an interagency process around that
747 licensing, which includes State. So, State still has a strong
748 say in approving licenses of exports to any nation.

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

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

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

758 Mr. Estevez. You know, it is hard for me to pause that.

759 It is not all assault weapons, let's be clear. It is also, you
760 know, I am exporting weapons to Ukraine right now, which increases
761 the numbers, for reasons that you would expect. We are giving
762 Ukraine these new weapons --

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

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

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

769 But let me ask another question because I am running low on time.

770 I understand that this week the BIS published a rule on
771 congressional notification of these sales, and this is entirely
772 inadequate. You say you will inform Congress of sales. You all
773 have said you would inform Congress of sales above \$4 million,
774 which is higher than the State Department's threshold of \$1
775 million, and you don't acknowledge Congress' prerogative to block
776 sales, as we can with the State Department.

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

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

785 Mr. Castro. Well, I --

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

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

792 With that, Chairman, I yield back.

793 Chairman Meeks. The gentleman yields back.

794 I now recognize Representative Joe Wilson of South Carolina,
795 who is the ranking member of the Subcommittee on the Middle East,
796 North Africa, and Global Counterterrorism, for 5 minutes.

797 Mr. Wilson. Thank you, Mr. Chairman.

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

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

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

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

817 Mr. Estevez. Thank you for that, Congressman.

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

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

838 With that in mind, also, with the Ukrainian invasion,
839 actually, we had already had prior invasions in 2008 in Georgia
840 south of Abkhazia and the other province there in Georgia. There
841 was also, in 2014, the invasion and illegal annexation of Crimea,

842 and then, of course, actually, the Russian Federation, Putin still
843 controls -- and never left after the breakup of the Soviet Union
844 -- Transnistria of Moldova.

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

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

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

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

859 I yield back, Mr. Chairman.

860 Chairman Meeks. The gentleman yields back.

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

863 Ms. Titus. Thank you, Mr. Chairman.

864 Mr. Under Secretary, you have dubbed yourself the "chief
865 technology protection officer" in the United States. I sit,

866 also, on Homeland Security, and we have heard quite a bit about
867 the concerns over cybersecurity. I wonder if you could tell us
868 how you are working with the Federal Communications Commission
869 and with DHS's Cybersecurity and Infrastructure Security Agency,
870 to ensure that our response to Russia is adequate or possibly
871 robust.

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

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

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

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

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

889 Mr. Estevez. On my ICTS authorities, yes.

890 Ms. Titus. Well, what are you doing?

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

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

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

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

910 Ms. Titus. What about the Russians?

911 Mr. Estevez. Excuse me, Congresswoman?

912 Ms. Titus. I just said, well, what about in Russia? Are
913 you considering those issues?

914 Mr. Estevez. I am not sure we have those controls in place
915 right now.

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

917 I yield back.

918 Chairman Meeks. The gentlelady yields back.

919 I now recognize Representative Brian Mast of Florida for
920 5 minutes.

921 Representative Mast?

922 [No response.]

923 We don't hear you if you are there.

924 All right, we will come back to Representative Mast.

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

927 Ms. Tenney. Thank you, Chairman Meeks.

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

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

936 Do you agree that the Chinese military and Chinese military
937 end users are a threat to our national security?

938 Mr. Estevez. Absolutely.

939 Ms. Tenney. So, that being said, if the Chinese military
940 end users are a threat to U.S. national security, why are more
941 than half of the military companies on the Department of Defense
942 1260H list, the NDAA 2021 list of Chinese entities, not on the
943 Bureau of Industry and Security list?

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

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

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

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

958 Mr. Estevez. Again, you know --

959 Ms. Tenney. Okay.

960 Mr. Estevez. -- I have a due process. We actually follow
961 the law in this Nation, unlike our Chinese adversaries.

962 Ms. Tenney. Yes, we appreciate that. Yes, we do.

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

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

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

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

980 Mr. Estevez. Likewise.

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

984 So, on the Chinese liquefied natural gas importer terminal
985 has violated a U.N. sanction against Iran and Russia. Should

986 we now put them on the Entity List, and will you do that and place
987 these on the Entity List? You indicated you might, but would
988 that happen now?

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

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

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

1000 Ms. Tenney. Okay.

1001 Mr. Estevez. We follow where the investigation goes, you
1002 know, on any entity.

1003 Ms. Tenney. Okay.

1004 Mr. Estevez. So, I am not going to tell you about a specific
1005 one.

1006 Ms. Tenney. Okay. I have got a little time.

1007 In 2021, Chinese orders for semiconductor manufacturing
1008 equipment rose 58 percent, reaching nearly \$30 billion. It is
1009 being reported that state-backed Chinese companies are paying

1010 above-market rates to buy tools, and in some cases they are
1011 diverting deliveries to China from the United States and allied
1012 manufacturers. Why is the Bureau of Industry and Security
1013 letting China buy up and stockpile the global supply of these
1014 tools and equipment? Are you aware of that?

1015 Mr. Estevez. We talk to the companies and they say that
1016 is not the case.

1017 Ms. Tenney. Do you consider this a problem?

1018 Mr. Estevez. I mean, there is no reason for those companies,
1019 some of which -- many of which are American companies -- to tell
1020 us anything other than -- you know, they certainly have sales
1021 to China for their tools outside the highest-end --

1022 Ms. Tenney. Are we investigating these to make sure they
1023 are compliant?

1024 Mr. Estevez. We --

1025 Ms. Tenney. I know you said a due process, but, I mean,
1026 are we --

1027 Mr. Estevez. Well, we always assess, you know, the flow
1028 of tools and look at the data around what is going on.

1029 Ms. Tenney. Are we, as a country, willing to act
1030 unilaterally to make sure that the U.S. national security is
1031 protected, in light of the threat that China poses and in the
1032 middle of the war in Ukraine, where China could be protecting
1033 and helping and aiding and abetting Putin and the Russians?

1034 Mr. Estevez. If we find someone backfilling, we will take
1035 action, but, of course, that is with our 37 other nations.
1036 Generally, I am opposed to unilateral controls, but if we have
1037 to do it, it is one of the tools in our toolbox.

1038 Ms. Tenney. Thank you so much. I yield back.

1039 Mr. Malinowski. [Presiding.] Thank you.

1040 The chair recognizes Representative Susan Wild of
1041 Pennsylvania for 5 minutes.

1042 Ms. Wild. Thank you, Mr. Chairman.

1043 Good afternoon.

1044 According to recent reporting from The Wall Street Journal,
1045 Chinese microchip exports more than doubled in the first five
1046 months of 2022 compared to the same period a year earlier, and
1047 other critical exports, including many with direct military
1048 applications, also increased by double digits. How does the BIS
1049 assess these strengthened ties between Russia and China in the
1050 current context?

1051 Mr. Estevez. So, obviously, we use both open source and
1052 intelligence community aid/output to assess what is going on.

1053 You know, that Wall Street Journal article is an interesting
1054 article. The numbers are actually pretty minuscule in the scope
1055 of things. But we always look to see what companies may be
1056 violating our sanctions. And our export control sanctions relate
1057 to the Foreign-Direct Product rule around Russia, and if they

1058 are, we will take action.

1059 Ms. Wild. Well, do you believe that it is vital for us to
1060 urgently make major investments in our advanced semiconductor
1061 industry?

1062 Mr. Estevez. Pass CHIPS. Absolutely.

1063 Ms. Wild. Yes, both in terms of national and economic
1064 security?

1065 Mr. Estevez. It is absolutely both.

1066 Ms. Wild. Okay. And what is BIS's overall assessment of
1067 the strength and sophistication of the Chinese
1068 industrial-military nexus as it pertains to Russia?

1069 Mr. Estevez. Again, we have not seen any concerted effort
1070 on the part of China as a whole to backfill Russia. We have
1071 focused on particular entities, and we continue to do that.

1072 Ms. Wild. In May, Commerce Secretary Gina Raimondo
1073 testified that the administration was receiving reports from
1074 Ukrainians who had analyzed Russian military equipment that these
1075 pieces of equipment were now filled with semiconductor chips taken
1076 out of appliances like dishwashers and refrigerators. What is
1077 the administration's assessment of the long-term trends here,
1078 including the economic impact of the export controls on these
1079 high-end semiconductor chips on the Russian defense industry and
1080 other key industries?

1081 Mr. Estevez. Well, that is an interesting anecdote that

1082 we did pick up from the Russians. Knowing a little bit about
1083 production of military equipment, it is unlikely that something
1084 came off the factory line and was in Ukraine. So, they must have
1085 been putting dishwasher and refrigerator chips into their tanks
1086 to begin with. You know, it is just a low-end chip.

1087 But, to my earlier comments, you know, we have, essentially,
1088 cut off the shipments of microelectronics to Russia. They cannot
1089 build a precision-guided weapon without a high-end
1090 microelectronic semiconductor.

1091 Ms. Wild. Well --

1092 Mr. Estevez. We are going to impact their ability to sustain
1093 forces over time, including for those tanks.

1094 Ms. Wild. All right. And let me just ask -- and maybe I
1095 already did -- what is your assessment of the strength and
1096 sophistication of the Chinese industrial-military nexus as it
1097 pertains to Russia?

1098 Mr. Estevez. As it pertains to Russia, you know, again,
1099 we are not seeing a lot. We are not seeing China as a nation
1100 supporting Russia. Now there are companies, more or less, that
1101 are worried about our export sanctions because they use U.S.
1102 tooling for a lot of their stuff --

1103 Ms. Wild. Uh-hum.

1104 Mr. Estevez. -- and they do not want to be sanctioned
1105 themselves. So, the overall trends are not a large increase.

1106 And again, we are focused on this both from open source and from
1107 intel.

1108 Ms. Wild. All right. Thank you very much. I yield back.

1109 Mr. Malinowski. The chair recognizes Representative Chris
1110 Smith of New Jersey for 5 minutes.

1111 So, we will go to Representative Issa for 5 minutes. Thank
1112 you.

1113 Mr. Issa. Thank you. Thank you, Mr. Smith.

1114 In the years that I worked with some of your predecessors,
1115 there certainly was frustration about the limitations of your
1116 job. With the current law, when you see tail numbers changing
1117 on aircraft, and then, you have to, in fact, update your sanction
1118 before you can effect that, does that give you a belief that your
1119 authority is not broader or more flexible in the current form?

1120 Mr. Estevez. Actually, the authorities that I was given
1121 under ECRA, a fairly new law -- you know, 2018 passed; really
1122 2019 implementation -- gives us pretty good authorities to take
1123 the action that we need to take.

1124 Mr. Issa. So, you feel that the Whac-A-Mole that you have
1125 to do, as they try to evade, is you have all the authority you
1126 think you need?

1127 Mr. Estevez. I have the authority; it is Whac-A-Mole. You
1128 know, resources are always good.

1129 Mr. Issa. Now, I would like to delve into the sophisticated

1130 chips/non-sophisticated chips for a moment. From a standpoint
1131 of your recollection of how India got its nuclear weapon, in spite
1132 of export controls to prohibit them, they, basically, in a
1133 nutshell, repurposed plain IBM PCs and strung them together to
1134 get a supercomputer. Is that a fair assessment in layman's terms?

1135 Mr. Estevez. I am really not prepared to talk about how
1136 India got their thing, but yes.

1137 Mr. Issa. Well, that is the publicly available statement
1138 about it.

1139 Mr. Estevez. Yes.

1140 Mr. Issa. So, it is fair to say that, in this day and age,
1141 if you get enough of low-tech, you, in fact, get high-tech? Is
1142 that fair enough to say?

1143 Mr. Estevez. You can certainly do workarounds. It is not
1144 the most effective way, and it is probably not going to give you
1145 the most sophisticated weaponry that you need.

1146 Mr. Issa. But I can buy today 10,000 available drones that
1147 are remote-control and have very accurate GPS guidance and the
1148 ability to navigate, and I can do it on a consumer products level,
1149 is that correct?

1150 Mr. Estevez. I mean, obviously, ISIS was using drones, you
1151 know, manual-controlled, to do it. So, yes, but it is not going
1152 to win you a major war.

1153 Mr. Issa. Okay. So, as we look at what has happened with

1154 Russia in a relatively short period of time, the information we
1155 were given in our briefing is about an 82 percent reduction in
1156 their ability to secure this kind of technology. Is that about
1157 where you would Putin?

1158 Mr. Estevez. About, yes.

1159 Mr. Issa. Okay. Over a period of time, another year, will
1160 that be better or worse, based on their attempt to circumvent
1161 and your, if you will, Whac-A-Mole going after them?

1162 Mr. Estevez. I believe that we are going to continue to
1163 impede their capabilities. So, to answer correct, they are
1164 certainly going to try to evade, and certainly, things, you know,
1165 small amounts, will slip through, nothing that will give them
1166 what they need to sustain a combat force on the battlefield.

1167 Mr. Issa. Okay. And lastly -- and I am going to return
1168 to China for a moment, as an adversary, rather than the current
1169 day with Russia -- your authority is limited to specific sanctions
1170 of specific items that they could use for specific purposes, and
1171 it is relatively narrow when it comes to China at this point,
1172 is that right?

1173 Mr. Estevez. My authority is around national security.
1174 So, it can be fairly broad.

1175 Mr. Issa. Right, but the amount of items and what you are
1176 limiting going into China is a relatively small portion of a very
1177 large trade?

1178 Mr. Estevez. That is correct. Like I am not impacting
1179 soybean imports from, you know, that China is importing.

1180 Mr. Issa. But when we look at technology transfers, which
1181 are massive going into China, even as we speak -- shared research,
1182 you know, and the like -- China is the beneficiary of U.S.
1183 university graduates that originate in China, return to China;
1184 research programs that those individuals are on, and, of course,
1185 a massive amount of transfer of software and hardware designs
1186 for chips that are made in China, and then, exported in consumer
1187 products? That is fair to say?

1188 Mr. Estevez. Yes, that is fair to say.

1189 Mr. Issa. So, your assessment now -- or offline, if you
1190 think it is inappropriate for this venue -- of what cumulatively
1191 all this low-tech transfer will be on the actual items that we
1192 are trying to deter China from having? In other words, as their
1193 weapons development and others go forward, how much impact comes
1194 from your lack of authority to stop students from attending our
1195 universities; stop joint projects of research, and stop
1196 technology transfer of items which cumulatively build into
1197 technology capability?

1198 Mr. Estevez. Because we are stopping the highest-end items,
1199 and we are, again, looking at where that line might move --
1200 frankly, more stringent -- and we also have a university outreach
1201 program, but, certainly, China has an innovative ecosystem. Our

1202 goal is to keep them a couple of generations behind from a military
1203 perspective, so that they can't -- so that our military has a
1204 deterrent factor.

1205 Mr. Issa. Thank you.

1206 Thank you, Mr. Chairman. I yield back.

1207 Mr. Malinowski. Thanks.

1208 We will next go to Representative Andy Levin of Michigan
1209 for 5 minutes.

1210 Mr. Levin. All right. Thank you, Mr. Chairman. I am
1211 unmuted and honored to be here. And I want to thank Chairman
1212 Meeks for holding this hearing today.

1213 Mr. Under Secretary, I am going to pick up on some of the
1214 questions that Joaquin Castro was asking you earlier.

1215 As technology and warfare continue to evolve, it is so
1216 important that the tools we have to end armed conflict, to go
1217 after authoritarians, and to address corruption evolve as well.

1218 And so, I want to focus my questions on human rights and the
1219 export control regime.

1220 First, as a strong defender of human rights at home and around
1221 the world, I have long been concerned about how U.S. policy sets
1222 an example for how we expect other countries to act. It is good
1223 to see this administration taking care to build multilateral
1224 coalitions to prevent exports of technologies that help
1225 facilitate Russia's brutal war in Ukraine and to blacklist

1226 entities implicated in China's repression against Uyghurs and
1227 other Muslim minorities in Xinjiang province.

1228 So, with that in mind, I would like to understand how the
1229 Department is applying these standards more broadly. My question
1230 is, what technologies does the Commerce Department, for instance,
1231 restrict to Saudi Arabia, the UAE, Bahrain, the Philippines,
1232 Egypt, or Ethiopia, given these countries' targeting of activists
1233 and journalists?

1234 Mr. Estevez. So, for items that are on the control list
1235 that we license, human rights assessments are part of that, and,
1236 of course, that is done in conjunction with my interagency
1237 partners -- the Department of State, DOD, and the Department of
1238 Energy. So, obviously, State brings that, as well as our own
1239 licensing assessments, to preclude human rights items that they
1240 are facilitating --

1241 Mr. Levin. I mean, are we restricting any technologies to
1242 any of those countries, based on all this collaboration?

1243 Mr. Estevez. First, I am not sure what they are buying that
1244 would go into that, but I will have to get back to you on that.

1245 Mr. Levin. Okay. I really appreciate that.

1246 Mr. Estevez. We will do it.

1247 Mr. Levin. I am so grateful that you are here. I know you
1248 are new on the job. And so, let's do that. I really will
1249 appreciate hearing back from you.

1250 Mr. Estevez. Certainly.

1251 Mr. Levin. You know, the Trump administration was able to
1252 reverse longstanding U.S. policy and remove the licensing of
1253 firearms out of the Department of State's jurisdiction and into
1254 Commerce's jurisdiction. As this happened, U.S. firearms
1255 exports exploded -- with experts estimating that exports of
1256 semiautomatic pistols, to pick one example, increased by nearly
1257 125 percent in the last six months of 2020 compared to the last
1258 six months of 2019.

1259 The U.S. licenses firearms to countries with abysmal human
1260 rights records, like Saudi Arabia, Brazil, and the Philippines.
1261 U.S. gunmakers have racked in profits while U.S. policy,
1262 unfortunately, helps enable the spread of guns abroad.

1263 President Biden promised to move firearms regulations back
1264 into the State Department, but we haven't seen movement on that
1265 front. So, do you human rights considerations factor into your
1266 Department's decisionmaking for firearms licenses?

1267 Mr. Estevez. Absolutely, Congressman. And again, I note
1268 that the Department of State is part of that licensing decision.

1269 Mr. Levin. Great. So, can you give me any examples of when
1270 you did not issue export licenses based on human rights concerns?

1271 Mr. Estevez. And again, I will have to get back to you on
1272 that.

1273 Mr. Levin. Okay.

1274 Well, let me ask you to get back to me on one other thing.
1275 And I know you joked about this earlier, but, in all seriousness,
1276 I want you to tell me whether you feel that the Commerce Department
1277 has adequate staff to be able to vet these decisions, you know,
1278 so that you can really -- there is a lot of these countries out
1279 there, right, and it is very complicated. So, let me know what
1280 your thoughts are on that.

1281 Mr. Estevez. Yes, I absolutely believe we have adequate
1282 staff. And again, I will have to keep bringing it back; it is
1283 not just the Department of Commerce making those decisions. The
1284 Department of State is part of those licensing decisions. So,
1285 the same people who were looking at it before are looking at it
1286 now.

1287 Mr. Levin. Well, thanks.

1288 So, let me just end, Mr. Chairman, by emphasizing that lots
1289 of innocent lives are being lost to gun violence in these
1290 countries. And there are a lot of guns getting into the hands
1291 of people who shouldn't have them. And so, I hope that you, as
1292 the ultimate authority here, take responsibility.

1293 And with that, Mr. Chairman, I yield back. Thanks so much.

1294 Mr. Estevez. Thank you.

1295 Chairman Meeks. [Presiding.] The gentleman yields back
1296 the balance of his time.

1297 I now recognize Representative Ann Wagner of Missouri, who

1298 is the vice ranking member of the full committee, for 5 minutes.

1299 Mrs. Wagner. I thank you, Mr. Chairman and Ranking Member.

1300 And I thank the Under Secretary Estevez for his time in
1301 service.

1302 The openness of the American system empowers brilliant
1303 researchers from across the country and around the world to use
1304 their unique perspectives and intellectual capital to make all
1305 our communities more prosperous. The People's Republic of China,
1306 however, is bent on supplanting the United States as the global
1307 engine of innovation, discovery, and advancement. To do so, it
1308 seeks to turn our strengths against us, using a mixture of coercion
1309 and, frankly, outright intellectual property theft to gain an
1310 edge.

1311 The U.S. export controls regime is the key defense against
1312 PRC subversion of American ingenuity. Equally important, export
1313 controls can be a weapon against adversaries like Russia, which
1314 relies on access to foreign technology to support its abhorrent
1315 war on Ukraine. Vigilantly enforcing our export controls is now
1316 more important than ever, as we protect American companies from
1317 complicity in Russia's assault on a free and independent nation.

1318 Under Secretary Estevez, the Russian invasion of Ukraine
1319 should be studied as a lesson of the failures of U.S. export
1320 control policy across several administrations. It took three
1321 invasions of sovereign territory before the Bureau of Industry

1322 and Security, or BIS, started to implement a high bar for exports
1323 to Russian military end users. Why did BIS wait until 2022 to
1324 apply such a standard, when Russia had already invaded Georgia
1325 in 2008 and Crimea in 2014?

1326 Mr. Estevez. You know, unfortunately, Congresswoman, I
1327 agree with most of what you said there. I can't address what
1328 went on in BIS during my time in the Department of Defense. But
1329 I happened to note that Russia, fortunately, was allowing us to
1330 move supplies across Russian territory into Afghanistan. But,
1331 you know, we always need to look at who our adversaries are and
1332 who they may be, and we always need to be able to do an assessment
1333 of what the right controls are on those particular enemies.

1334 Mrs. Wagner. The United States waited until after -- after
1335 -- Russia attacked before applying strict export controls on its
1336 military end users. And yet, the buildup of Russian forces on
1337 the Ukrainian border, which, no doubt, posed a significant risk
1338 to U.S. interests, certainly met BIS's criteria for aggressive
1339 controls. Clearly, waiting until after the invasion to apply
1340 export controls neither prevented, nor deterred, Russian
1341 aggression against Ukraine.

1342 What were the failures of BIS's strategy in the runup to
1343 the invasion of Ukraine, and how are you incorporating lessons
1344 learned as we look to deter aggression against, for example,
1345 Taiwan?

1346 Mr. Estevez. So, first, BIS, of course, is not an
1347 independent entity in the government. We work with our
1348 interagency partners on what the right policies are going to be.

1349 With regard to Russia, frankly, being able to bring along
1350 the 37 nations that we brought along to put stringent controls
1351 on Russia, had we acted unilaterally, I don't think we would have
1352 had the same impact that we were having, which is why, when you
1353 start talking about --

1354 Mrs. Wagner. But I think --

1355 Mr. Estevez. Yes?

1356 Mrs. Wagner. -- with all due respect, we could have brought
1357 them along with us during the buildup period of time. I just
1358 feel like it was way too late when they put those in place.

1359 Mr. Estevez. Those negotiations were going on during that
1360 time. You know, to be able to snap it on February 24th is because
1361 we put that capability in place with them. Had we acted
1362 unilaterally, we would not, it would not have been as friendly
1363 in moving in that direction. Of course, they are global; it is
1364 not just in Europe.

1365 With Taiwan, one of the reasons I want to discuss a
1366 multilateral framework built on the framework that we built for
1367 Russia is to build that playbook for future scenarios.

1368 Mrs. Wagner. Well, I thank you for your time and your
1369 service.

1370 And I yield back the balance of my time, Mr. Chairman.

1371 Chairman Meeks. The gentlelady yields back.

1372 I now recognize Representative Abigail Spanberger of
1373 Virginia, who is the vice chair of the Subcommittee on Europe,
1374 Energy, the Environment, and Cyber, for 5 minutes.

1375 Ms. Spanberger. Thank you very much, Mr. Chairman. Thank
1376 you for hosting this incredibly important hearing.

1377 And, Mr. Under Secretary, thank you for being with us.

1378 So, Congress has recognized the Bureau of Industry and
1379 Security's valuable role in responding to Russian aggression by
1380 providing an additional \$22 million in supplemental
1381 appropriations in the Ukraine Supplemental Appropriations Act
1382 of 2022. The Act also provides your agency with additional
1383 flexibility around staffing and appointments, and it is my hope
1384 that this additional flexibility will allow BIS to maintain a
1385 wide array of qualified specialists to ensure that the agency
1386 understands the current and emerging technical capabilities of
1387 industry.

1388 Could you provide an update for us about how your agency
1389 has used these flexibilities, potentially, to staff up and meet
1390 the challenge? And if you could provide further comments on
1391 whether or not this flexibility in funding has been sufficient,
1392 or any other comments you would provide related to this funding
1393 and the stated goals?

1394 Mr. Estevez. Sure. Thank you for that, Congresswoman.

1395 First of all, we do thank the Congress, as I said in my opening
1396 remarks, for providing us that additional funding and the
1397 additional flexibilities. Obviously, we are working through the
1398 government bureaucracy, even with hiring authorities, to bring
1399 people on, but we are doing that. And I think over time it is
1400 going to be very helpful for us from a number of perspectives,
1401 including technology assessments. So, it is an important
1402 capability. Having the right people with the right skill set
1403 is key. And we are working through our hiring capability to bring
1404 on those people. And frankly, in the 2023 budget, we have a
1405 sustaining capability projected for that, which we hope to
1406 continue forward. So, I think it is important that you gave that
1407 to us, and we are going to use it to the best of our capability.

1408 Ms. Spanberger. And how close to full complement are you
1409 in terms of your hiring that has happened?

1410 Mr. Estevez. Not where I need to be, Congresswoman. At
1411 the beginning phase.

1412 Ms. Spanberger. What are the particular skill sets that
1413 are still missing within your staff?

1414 Mr. Estevez. Yes, I would have to go back to my folks and
1415 get the exact billets that are still vacant.

1416 Ms. Spanberger. Okay. Well, just I will be curious to
1417 follow up on that one.

1418 Mr. Estevez. Certainly.

1419 Ms. Spanberger. And just pivoting to the 2021 NDAA, and
1420 the Defense Production Act that gives the Bureau broad authority
1421 to survey our domestic industrial base, these surveys help the
1422 Department paint a better picture of the NDAA state, as industries
1423 base -- excuse me -- our industrial base's vulnerabilities, and
1424 allow for more timely and effective policy interventions to
1425 protect our national security and ensure robust supply chains.

1426 But, as followup related to some of the staffing shortages that
1427 have hindered these surveys' frequency, do you have any comments
1428 on how Congress can support more effective surveys by BIS to reduce
1429 these shortages and ensure that we are effectively and
1430 aggressively utilizing them to monitor our own security?

1431 Mr. Estevez. I do, and I am actually very familiar with
1432 the House Armed Services Committee report on supply chains.

1433 There are a number of tools that exist that are commercially
1434 available that do a pretty spectacular job on supply chain
1435 mapping. And Commerce needs access to some of those tools.
1436 Again, I am trying to build that in our 2024 budget, and I am
1437 looking for capabilities within our 2023 budget to direct some
1438 money to go out and get some of those tools. That will help us
1439 on all sorts of industry assessments.

1440 Any supply chain assessment -- and again, I come from a
1441 logistics background in the Department of Defense -- is a snapshot

1442 in time. So, you need continuous monitoring in order to assess
1443 your supply chains.

1444 Now, the COVID experience has shown, you know, the fragility
1445 of U.S. supply chains, and we really need to get our arms around
1446 that. And things like the CHIPS Act are a certain sector to help
1447 us make our supply chains more robust.

1448 Ms. Spanberger. Could more updated surveys have been
1449 helpful -- presuming that you might agree with that assertion
1450 -- to us being able to monitor the challenges of supply chain
1451 shortages and the associated inflation?

1452 Mr. Estevez. I do not --

1453 Ms. Spanberger. And I am running out of time. So, I am
1454 going to have to actually follow up with that one in writing.

1455 And, Mr. Chairman, thank you for this hearing. I yield back.

1456 Chairman Meeks. The gentlelady's time has expired.

1457 I now recognize Representative Andy Barr of Kentucky for
1458 5 minutes.

1459 Mr. Barr. Under Secretary Estevez, thanks for the call that
1460 you had with me about implementation of ECRA, the Export Control
1461 Reform Act of 2018. That change in the law came with FIRRMA,
1462 when we updated CFIUS, but, as I expressed to you in our Zoom
1463 call, I am concerned about the pace at which we are implementing
1464 ECRA. Can you commit to providing us a list of emerging
1465 technologies or foundational technologies? And I know from your

1466 written testimony you want to call them Section 1758 technologies
1467 as a whole. Whatever. Can you provide us a list of what you
1468 have done to implement ECRA with the 1758 technologies?

1469 Mr. Estevez. I will be happy to do that, Congressman.

1470 Mr. Barr. What is the progress on that, on that
1471 implementation?

1472 Mr. Estevez. Again, you know, as I told you, we have 38
1473 out. Four are out for public comment right now. The first
1474 tranche is what we call 1758 because no one could decide whether
1475 they were emerging or foundational. Nonetheless, we will
1476 categorize it, once I get the rule passed on that.

1477 Mr. Barr. Just as a practical matter, is this a hard problem
1478 for BIS to solve?

1479 Mr. Estevez. It is a hard problem for anyone to solve.
1480 Because, for an export control, as I tried to explain to you on
1481 our Zoom call, you know, I need specificity around what I am
1482 controlling. So, I can't just say quantum computing; I need to
1483 know quantum computing algorithm of an AI algorithm.

1484 Mr. Barr. Understand.

1485 In the latest report to Congress, BIS processed 37,895 export
1486 licenses and approved 86.3 percent of them. BIS denied only 1.2
1487 percent of licenses, or 454 licenses. At the same time, I believe
1488 BIS maintains an Entity List with 1,644 entities. Is that about
1489 right?

1490 Mr. Estevez. About right. Close to 2,000.

1491 Mr. Barr. Closer to 2,000? I think you said that there
1492 are 600 Chinese entities, and the Biden administration had --

1493 Mr. Estevez. Or 598, or something.

1494 Mr. Barr. Okay, 600 or so?

1495 Mr. Estevez. Yes.

1496 Mr. Barr. But only 454 licenses denied, close to 2,000
1497 companies on the Entity List, which means their licenses should
1498 be denied. How many licenses to Entity-listed companies have
1499 been requested and approved?

1500 Mr. Estevez. Yes, so, again, I mean, you know, that number
1501 is not a number I have off the top of my head. But let me make
1502 one point. Companies that know that they are going to be denied
1503 don't go through the cost of submitting a license for approval.
1504 So, if it is clear that there is going to be a denial, like 5G
1505 to Huawei, they are not going to submit a license that would allow
1506 a 5G capability to go to Huawei.

1507 Mr. Barr. Well, if I could interject, what reason would
1508 BIS approve a license for a company on the Entity List?

1509 Mr. Estevez. It depends on the licensing authority that
1510 we put on that. So, for example, Huawei, it is to stop their
1511 cloud and 5G capabilities, not their lower-end capabilities.

1512 Mr. Barr. Let me ask you about capital flows. As you know,
1513 in 2020, President Trump issued an Executive Order prohibiting

1514 investment in public securities of certain Chinese military,
1515 industrial, and surveillance companies designated by the
1516 Department of Defense. In 2021, President Biden expanded this
1517 Executive Order to include certain malign Chinese technology and
1518 surveillance companies. While these Executive Orders were
1519 welcomed, they did not adequately address the problem and leave
1520 some of America's greatest economic tools in the quiver.

1521 My bill, the Chinese Military and Surveillance Company
1522 Sanctions Act, would bring the full weight of Treasury sanctions
1523 against these companies, which would go beyond restricting just
1524 U.S. investment in these companies, but also have the
1525 force-multiplying effect of OFAC signaling to non-U.S. Western
1526 investors not to invest in these companies.

1527 Under Secretary Estevez, does Commerce coordinate with DOD
1528 and OFAC to make sure that there is cohesion among these lists?

1529 In other words, your Entity List is around 2,000, but, as I
1530 understand it, this OFAC list and this Executive Order list is
1531 only about 50 Chinese companies.

1532 In your written testimony, you said, I think, you have got
1533 about 600 Chinese companies on your Entity List. If we are
1534 preventing investment in certain Chinese companies, do you
1535 believe we should also be automatically blocking export
1536 technology to those entities? And shouldn't we have a
1537 coordinated list -- the BIS China list and this Executive Order

1538 list and the DOD list?

1539 Mr. Estevez. Good question, Congressman, and I asked that
1540 very same question when I came to that. So, I am talking to Under
1541 Secretary Nelson, and I am talking to Under Secretary Kahl and
1542 Deputy Under Secretary Baker over at DOD, about these very issues.

1543 Now, each of these lists has different rules and different ways
1544 you put companies on them, but I do want a harmonization without,
1545 you know, ruining whatever that list is supposed to do.

1546 So, on the DOD list, for example -- and I said this earlier
1547 -- you know, I need to make sure that, if I put somebody on the
1548 Entity List, I am going to win in court. I know that DOD has
1549 lost in court.

1550 But I do believe that there needs to be harmonization across
1551 these lists.

1552 Mr. Barr. Thank you. I do, too. I appreciate that and
1553 let's work on that together.

1554 My time is expired, but if we should not be exporting
1555 technology to these companies through BIS, we also should be
1556 blocking capital flows, in my opinion, to these companies.

1557 Thank you. I yield back.

1558 Chairman Meeks. The gentleman yields back.

1559 And let me see. Representative Ronny Jackson of Texas, is
1560 he still on? He is not.

1561 And I see Representative Brian Mast is walking in. So, as

1562 soon as he gets himself adjusted, I will recognize Representative
1563 Mast for 5 minutes of Florida.

1564 Mr. Mast. Thank you, Mr. Chairman.

1565 How you doing today?

1566 Mr. Estevez. I have done better, but I am happy to be here.

1567 Mr. Mast. All right. Well, thank you for taking the time.

1568 I just want to make sure I understand the role correctly.

1569 Under Secretary for Bureau of Industry and Security, basically,
1570 charged with preventing bad actors from obtaining or using
1571 exported items? That would be a good layman's way of explaining
1572 it?

1573 Mr. Estevez. Certainly.

1574 Mr. Mast. Right. Asked to come here to discuss what is
1575 going on with exports as it relates to Russia and, certainly,
1576 in light of what they are doing in the Ukraine? That would be
1577 a fair --

1578 Mr. Estevez. That is correct as well.

1579 Mr. Mast. -- a fair explanation of what is going on today?

1580 So, in your role, with exports being your lane for the
1581 administration, has President Biden spoke with you about what
1582 would be minimum requirements that we would demand out of Russia
1583 to resume exports or commerce with them? And I will give you
1584 some specific examples that I thought up.

1585 No. 1, has he expressed that Russia would have to be out

1586 of Ukraine in order to resume exports?

1587 Mr. Estevez. I have not talked to the President, and I am
1588 not aware of any discussion that we are having with Russia about
1589 what it would take, unless the Ukrainians are talking to the
1590 Russians.

1591 Mr. Mast. So, not specific to questions that the President
1592 is talking to Russia about, I want to know what the President
1593 is talking to you about, being that you hold the lane of export
1594 controls, making sure that our exports are not used in a nefarious
1595 way by places that exports would go to, that being your lane.

1596 Has the President -- well, you just said the President has not
1597 spoken to you about this. So, the President hasn't spoken to
1598 you about what Russia would have to do or what countries they
1599 would have to get out of in order to resume exports?

1600 Mr. Estevez. The President has made clear that Russia's
1601 invasion of Ukraine is a heinous, you know, war crime-based
1602 invasion of Ukraine, right. It is a terrible act, and Russia
1603 needs to get themselves back in alignment in the international
1604 --

1605 Mr. Mast. But he hasn't spoken to you about it specifically?

1606 Mr. Estevez. It would be unlikely that the President would
1607 talk to an Under Secretary of Commerce about this. He would talk
1608 to a staffer technically.

1609 Mr. Mast. Okay. To your knowledge, who has he spoken to

1610 about requirements of what Russia would have to do, what they
1611 would have to execute, in order for commerce to resume?

1612 Mr. Estevez. I can't answer that question, Congressman.

1613 Mr. Mast. Have you heard any talk about there would be any
1614 requirement for any kind of war crime tribunal for Putin or any
1615 other Russians in order to resume commerce?

1616 Mr. Estevez. Again, I can only read what I read in the paper
1617 on that.

1618 Mr. Mast. So --

1619 Mr. Estevez. And I haven't seen anything like that.
1620 Obviously, the Ukrainians themselves, President Zelenskyy is
1621 dealing, you know, has to make the decision on what he wants to
1622 do with Russia. My views are irrelevant in that. As long as
1623 Russia is in violation of the international norms, we will keep
1624 our export control sanctions on them.

1625 Mr. Mast. Your views are very relevant, though, because
1626 you are the administration's representative coming to us, to
1627 congress, specifically, to talk about Russia, Ukraine, and export
1628 controls, making sure that they are not going to places that we
1629 would consider bad actors, using exports --

1630 Mr. Estevez. We will keep our export controls on Russia
1631 as long as they are in violation of international norms.

1632 Mr. Mast. So, I would think it would be likely that there
1633 would be conversations with you, as the expert, one of the experts

1634 in this lane, being that you are sent to Congress to testify to
1635 us, about whether, as I said, there would have to be a war crime
1636 tribunal. Or would they have to be out of Crimea, right? Would
1637 they have to be out of, you know, Ukraine? Would they have to
1638 enact some kind of nuclear demilitarization or have demilitarized
1639 zones along their borders? Or would Putin have to be removed
1640 from power?

1641 The list could go on and on and on, but what you are saying
1642 is, to your knowledge, there have been no conversations about
1643 what Russia would have to do in order for the United States --
1644 we make our own decisions; Ukraine doesn't make decisions for
1645 us -- for the United States to resume commerce?

1646 Mr. Estevez. As you know, Congressman, there is lots of
1647 variations in what could happen in a negotiated settlement. I
1648 can't conjecture on what that negotiated settlement is going to
1649 look like --

1650 Mr. Mast. But you have not been a part of those
1651 conversations, and to your knowledge, you don't know that there
1652 have been any?

1653 Mr. Estevez. I have, you know -- my conversation -- I don't
1654 sit around with Secretary Blinken and Secretary Raimondo, and
1655 the National Security Advisor and the President, and make these
1656 decisions.

1657 Mr. Mast. You all talk? I mean, it would be -- if you don't

1658 talk, there are bigger problems that we have going on here. But,
1659 to your knowledge, that hasn't taken place, those conversations?

1660 Mr. Estevez. Again, I am not privy to what the interagency
1661 decision that is on that.

1662 Chairman Meeks. The gentleman's time has expired.

1663 Mr. Secretary, I think all of the members are now voting.

1664 So, we are going to take a brief recess of about 5 minutes until
1665 the next vote is happening, and then, we will resume immediately
1666 thereafter.

1667 The committee is now in recess.

1668 [Recess.]

1669 Chairman Meeks. I now recognize Representative Tom
1670 Malinowski of New Jersey, who is the vice chair of the full
1671 committee, for 5 minutes.

1672 Mr. Malinowski. Thank you, Mr. Chairman.

1673 I am very, very happy to have you here, Under Secretary.

1674 I am a strong supporter of your work. I worked with
1675 Representative Kinzinger to try to get you more money and staff
1676 to be able to do it.

1677 There are so many issues that have already been covered that
1678 are important. I am particularly interested in the role that
1679 you have played in one of the most important elements, I think,
1680 of this fight between democracies and autocracies around the
1681 world. And that is countering the efforts of countries like

1682 Russia, and particularly, China, to promote the proliferation
1683 of surveillance technologies.

1684 I mean, these totalitarian states are perfecting the
1685 technology of the modern surveillance state and they are exporting
1686 it to others around the world. And that is a risk to Americans.
1687 It is a risk to human rights. But it, also, I think, creates
1688 an opportunity for the United States to be seen as the
1689 counterforce, to be seen as the country that protects privacy
1690 of people around the world.

1691 And in that respect, I want to applaud you for the very bold
1692 steps that you have taken, that the State Department has taken,
1693 in particular, listing the NSO Group and other similar companies
1694 on the Entities List. And I hope that work continues.

1695 In the same vein, I want to address something I think is
1696 a gap in our current laws. You have the authority right now to
1697 prevent Americans and American companies from working with
1698 foreign military intelligence agencies in ways that might be
1699 counter to our interests. And you have used that authority, for
1700 example, to prohibit engagement with the Russian GRU, their
1701 military intelligence agency.

1702 But let me ask you, say an American PhD student were to go
1703 to Russia and contract with the FSB to invent some new hacking
1704 tools for them, or an American company were to contract with the
1705 Chinese police in Xinjiang province, where the Uyghur genocide

1706 is underway, to help upgrade, say, their IT system. Would you
1707 have the authority to prevent that?

1708 Mr. Estevez. Thank you for that, Congressman. And in the
1709 answer, thank you for your sponsorship of the U.S. persons
1710 amendment that is out there. Should it not end up in the CHIPS
1711 bill, we will work with you to get it in something else, because
1712 it is critical to cover that gap that you just explained.

1713 Mr. Malinowski. Well, thank you so much.

1714 So, in other words, you don't have that authority right now?

1715 Mr. Estevez. Do not have that right now. I am waiting for
1716 a bill to pass.

1717 Mr. Malinowski. Okay. And I think most of us would be
1718 surprised to learn that you don't have that authority.

1719 And also, a reminder that there is a lot of good stuff in
1720 the COMPETES Act that was bipartisan. There were some things
1721 my Republican colleagues opposed, but there were a number of
1722 things that I think we should continue to work on a bipartisan
1723 basis, and I know Representative McCaul strongly agrees with that
1724 as well.

1725 I have also got a concern about -- and we have talked a lot
1726 about China already at this hearing -- about companies, Chinese
1727 companies that have full access to our economy -- companies like
1728 Alibaba, for example, that are listed on the U.S. Stock Exchange.

1729 And yet, they are themselves major shareholders in companies

1730 that you have placed on the Entities List, companies that are
1731 sanctioned by the United States that do business with the Chinese
1732 military, and that right now, very important to note, do very
1733 significant business in Russia. And I wonder if you have any
1734 thoughts about what we can or should consider doing about
1735 companies in that category.

1736 Mr. Estevez. Thank you for that, and I do.

1737 You know, I was just given some recent authorities around
1738 something called ICTS, telecommunications and software services,
1739 things like Alibaba would fall into that line, other things, other
1740 companies as well. We have opened up investigations, and we have
1741 authorities around that. What I do need is, in my 2023 budget,
1742 I have asked for manpower in order to really execute that mission,
1743 because right now I am doing it with, essentially, borrowed
1744 manpower and some duct tape.

1745 Mr. Malinowski. Good. Well, duct tape, we are happy to
1746 appropriate funding for all of that and more, and --

1747 Mr. Estevez. It is the normal DOD use.

1748 Mr. Malinowski. Good. They probably pay like a million
1749 dollars for one duct tape. Anyway, we won't go there.

1750 I yield back. Thank you so much.

1751 Chairman Meeks. The gentleman's time has expired.

1752 I now recognize Representative Scott Perry of Pennsylvania
1753 for 5 minutes.

1754 Mr. Perry. Thank you, Mr. Chairman.

1755 I don't know; a million dollars for duct tape, I hope not.
1756 One roll of duct tape, right?

1757 Thank you very much, Mr. Secretary, for being here. I want
1758 to talk to you a little bit about export controls vis-a-vis Russia
1759 and Ukraine, and then, China.

1760 I think you said, back in March, that Commerce would
1761 absolutely enforce export controls on Chinese companies if they
1762 send semiconductors to Russia. But it took until the end of June
1763 -- okay, so that is March to June -- and, you know, Russia gets
1764 70 percent of its technology imports from China, and it obviously
1765 was after the invasion took place that Commerce applied the export
1766 controls. Did you guys get caught flat-footed or what was the
1767 purpose or the reason for the delay?

1768 Mr. Estevez. First, you know, building the coalition
1769 necessary to put the stringent controls on some multilateral,
1770 global bases, 37 like-minded countries, which is what really is
1771 squeezing Russia. It is not just us alone. We worked hard on
1772 that. You know, before I even got to Commerce, they were working
1773 hard on that.

1774 Once those controls went into place, then it is a matter
1775 of monitoring what is going on. So, you know, investigations
1776 take time to ensure that you know what you are investigating,
1777 and that when I put someone on the Entity list -- and I have six

1778 Chinese companies on the Entity List for backfilling Russia --
1779 that my investigation had the authorities that it can stand and
1780 withstand a lawsuit, because we do follow the rule of law in our
1781 processes.

1782 Mr. Perry. Well, I appreciate that. It just seems like
1783 that it takes an inordinate amount of time, and I am sure it is
1784 kind of like herding cats; I suspect it is. So, I appreciate
1785 it, but it is really frustrating for us to watch this happen,
1786 and it just seems like it takes too long.

1787 So, if there is something that we need to change here --
1788 look, due process is important, so you need to follow that and
1789 make sure before you list companies/countries that you are
1790 absolutely certain. You don't want to destroy reputations
1791 willy-nilly; we get that. But if there is something that Congress
1792 needs to do to help this go faster in the face of some of these
1793 things, you need to let us know that.

1794 Congress, as you know, has repeatedly recognized -- through
1795 mandated reporting, and by the Department of Defense on Chinese
1796 military companies -- it seems, here again, that the Department
1797 has neglected to act on many of the companies listed on DOD's
1798 1260H list. It seems like it is not even doing the bare minimum
1799 there. What is your response to that?

1800 Mr. Estevez. So, earlier on, I answered a question on
1801 harmonization of the lists a little while ago. DOD's list has

1802 different rationales than our list. With that said, I am all
1803 about getting these lists harmonized.

1804 Now, DOD's list has had people sue them and get off the list.

1805 I do not intend to have that happen on the Entity List because
1806 I want us to stand the Entity List as a powerful tool that it
1807 is.

1808 So, we are working with DOD, and I have already started
1809 talking to the policy folks at DOD that sustain that list who
1810 are, you know, people that I have worked with in the past from
1811 my time at DOD, to ensure that we have the right rationale and
1812 that we can build off their list onto our list.

1813 Mr. Perry. So, do you think that, was DOD capricious? Did
1814 they not have the facts straight, correct, straight, when they
1815 listed these entities? And how many are we talking about here
1816 where they were sued, and then --

1817 Mr. Estevez. I am aware of one suit, and I can't, you know,
1818 I am not inside DOD for that process. Nonetheless, I agree, we
1819 need to reconcile the lists.

1820 Mr. Perry. So, it sounds like one company, right? Is that
1821 --

1822 Mr. Estevez. One company sued and got off their list.

1823 Mr. Perry. And they won? Won in --

1824 Mr. Estevez. They won, that is correct.

1825 Mr. Perry. All right. So, we got, I think, how many on

1826 DOD's list? Do you know?

1827 Mr. Estevez. Not off the top of my head.

1828 Mr. Perry. I mean, is it hundreds or thousands?

1829 Mr. Estevez. It is hundreds, I am sure.

1830 Mr. Perry. It is hundreds? I would think so as well.

1831 Look, this is important stuff. And if we are going to err

1832 on the side of caution with our enemy -- look, we want due process,

1833 but, you know, it is often said you can sue a ham sandwich or

1834 you can indict a ham sandwich in the United States, right? So,

1835 just because they have sued, and because one maybe got lucky,

1836 or what have you, I would think that, if you are going to defer

1837 to somebody, it would be deferring to those who are trying to

1838 secure our national security, if you have got to make a call.

1839 Mr. Estevez. I mean, Congressman, first of all, we put 107

1840 companies on the list. Two, as a person who lived his life in

1841 DOD, I understand the same views that they have, and I am doing

1842 everything I can to protect that. We are going to put people

1843 on the list that deserve to be on the list.

1844 Mr. Perry. Thank you, Mr. Chairman. I yield the balance.

1845 Chairman Meeks. The gentleman yields back.

1846 I now yield to Representative Dan Meuser of Pennsylvania

1847 for 5 minutes.

1848 Mr. Meuser. Thank you very much, Mr. Chairman.

1849 Mr. Under Secretary, good to see you. Thanks for being here

1850 with us.

1851 So, this might be some repetitive questioning. But the
1852 current level of sanctions on Russia, is there something more
1853 that you believe that we should be doing, extending more
1854 countrywide export controls on items such as semiconductors?
1855 And I am also concerned about the level of technology transfer,
1856 as many have questioned here, purchased from China, and then,
1857 shipped to Russia. Maybe you could comment on both?

1858 Mr. Estevez. Sure. Well, thank you.

1859 For Russia, now we have pretty stringent controls on Russia,
1860 including a full semiconductor ban, you know, about 72 percent
1861 reduction in semiconductor exports. We are continuing to look
1862 at other options that we can to tighten controls where we can.
1863 We are doing that with the 37 nations that are a part of our
1864 coalition, including, you know, the full EU, Great Britain, our
1865 allies in Asia. They are all part of this coalition. So, where
1866 we see additional things that we can do to squeeze the Russian
1867 military to break their capability, I am all in.

1868 With regard to China and China's backfill, again, we have
1869 not seen a concerted effort. But, from my guidance, my
1870 enforcement approach, that is their No. 1 priority, and we are
1871 working that. Of course, not just my enforcement folks; across
1872 the interagency, working with the intelligence community, the
1873 data that they have, and frankly, working with our allies -- and

1874 the good folks in Canada and Finland, to make sure transshipment
1875 points don't enter.

1876 Mr. Meuser. What level of intensity would you say exists
1877 on a scale of 1 to 10? Is it a 10? Is it a 7?

1878 Mr. Estevez. Oh, that is a difficult question, but can the
1879 scrutiny, can the analysis, can the pressure be raised? You know,
1880 I think we are operating at a 10. I know my folks are running
1881 like they are at a 10. I will quote Spinal Tap, if I might, and
1882 say I'm always willing to rack it to 11, if I can find the ability
1883 to do so.

1884 Mr. Meuser. Let me ask you, what about India? How do we
1885 feel India is treating their business with Russia?

1886 Mr. Estevez. Yes, I mean, overall, we have seen reductions
1887 for the people who are not part of the coalition, a 40 percent
1888 drop in exports to Russia. You know, India has other issues that
1889 they are dealing with with Russia, but I think, from a tech
1890 perspective and a capability that would help Russia's military,
1891 I think it is actually doing the right thing.

1892 Mr. Meuser. Is BIS or the administration heavily engaged
1893 in really doing everything possible to fortify Europe with the
1894 impending energy disaster that we believe may occur this winter
1895 related, primarily, to natural gas? Or, of course, Europe may
1896 need to cut deals with Russia, as you well know, which will
1897 certainly improve their situation related to Ukraine. So, what

1898 is the administration's thoughts there? What are your thoughts
1899 there? What are we doing to help Europe in that regard?

1900 Mr. Estevez. I mean, obviously, that question is outside
1901 of my own purview on export controls. But we have a strong dialog,
1902 a continual dialog, with our European partners on all these issues
1903 -- ensuring that we are in sync with them, and they are in sync
1904 with us, on what we can do to (a) strangle Russia and ensure the
1905 viability of the West in doing so, and not breaking our coalition,
1906 which is a fantastic coalition.

1907 Mr. Meuser. All right. Thank you. Mr. Chairman, I yield
1908 back.

1909 Chairman Meeks. The gentleman yields back.

1910 I now recognize Representative Mark Green of Tennessee for
1911 5 minutes, who is the ranking member of the Subcommittee on the
1912 Western Hemisphere, Civilian Security, Migration, and
1913 International Economic Policy.

1914 Mr. Green. I know, Mr. Chairman, it is a mouthful, isn't
1915 it?

1916 Chairman Meeks. Created by me, yes.

1917 [Laughter.]

1918 Mr. Green. Thank you, Chairman Meeks and Ranking Member
1919 McCaul.

1920 And I want to thank our witness for being here today and
1921 testifying. Thank you, Mr. Secretary.

1922 I am very concerned with the failure of the U.S. export
1923 control policy, in particular, the failure of Commerce and the
1924 Bureau of Industry and Security to act. According to the
1925 Congressional Research Service, the federal government only
1926 controls or restricts a fragment of U.S. technology exports to
1927 China. And since the 1990s, BIS has removed or waived licensing
1928 requirements from the Commerce Control List for much of the U.S.
1929 technology trade to China. In fact, in 2020, roughly 18 percent
1930 of the \$124.6 billion exports to China involved dual-use
1931 technology on the Commerce Control List which are subject to
1932 controls.

1933 I am concerned the China COMPETES bill, which subsidizes
1934 semiconductor production without export control guardrails to
1935 safeguard this very technology from falling into the hands of
1936 the People's Liberation Army, is moving forward. Fortunately,
1937 it is in conference and we can, hopefully, get it amended, but
1938 there is the concern. Many military firms do not even appear
1939 to be on the BIS Military End User List or the Entity List. In
1940 fact, BIS seems to be, basically, ignoring what is going on.

1941 Mr. Secretary, you have said that BIS's primary goal is to
1942 prevent malign actors from obtaining or diverting items,
1943 including technologies, over the past 10 years. Do you think
1944 that BIS has achieved this goal with respect to the Chinese and
1945 the Russian militaries, considering the PRC's advancements in

1946 technology like hypersonics and the Russian invasion?

1947 Mr. Estevez. Let me address Russia first, and then, I will
1948 go into the Chinese issues.

1949 So, Russia, obviously, we just put on these stringent
1950 controls. But, essentially, we will squeeze Russia's military
1951 and their ability to sustain forces. And I come from that
1952 knowing, you know, from my acquisition background and the
1953 logistics background in the Department of Defense, where I spent
1954 my career, what it takes to sustain forces. And I know you
1955 understand that, too.

1956 With regard to China, now so, the bulk of what gets exported
1957 is not stuff that is controlled -- soybeans and paper products,
1958 and things like that. So, let's focus on the stuff that is on
1959 the CCL. And, yes, it is a small amount that is going under
1960 license. We do have a review going on, because, frankly, you
1961 know, I am three months in the job. I came in and said, "What
1962 are we doing here?"

1963 I am very concerned over what can go to China. Now, I will
1964 say that I am pretty confident that the highest-end things, like
1965 microelectronics, from U.S. origin are stopped. We are looking
1966 at other tools, other capabilities, and we are working with our
1967 allies, because you really need to do this not just with the United
1968 States. You need to do it with the other partner nations, who
1969 are our allies, to do this properly.

1970 Mr. Green. If I could jump in, you know, I am aware of a
1971 robotics company from Massachusetts that was purchased by the
1972 Chinese. And it turns out we didn't realize until later that
1973 the real goal wasn't the robotics, but it was the AI. And so,
1974 it missed the export controls, right, because we were thinking,
1975 oh, it is a robotics company. So, it is things like that that
1976 have people, particularly on my side of the aisle -- and actually,
1977 Members on the other side of the aisle that are
1978 national-security-focused -- frustrated about this.

1979 I have got about a minute left. So, what is the rationale
1980 for not using the same stringent export controls on the Chinese
1981 military end users as you are currently doing with Russia?

1982 Mr. Estevez. So, the Chinese is a different problem. I
1983 need to have a multinational focus on that. Because if I cut
1984 off U.S. exports, we might feel good about it, but we are not
1985 achieving the end. And I am all about achieving the end goal,
1986 which is precluding the Chinese military from advancing their
1987 capability.

1988 You know, I read a statement where you were talking about
1989 overmatch. I spent a career building overmatch, and I want to
1990 ensure that U.S. forces always go into a fight that they are going
1991 to win --

1992 Mr. Green. Yes.

1993 Mr. Estevez. -- because we have given them the great

1994 capability. And I want to ensure the Chinese do not get that
1995 capability.

1996 Mr. Green. Okay. Well, I appreciate you being here, and
1997 I realize coming before Congress only three months into the job
1998 is somewhat of a challenge. But we will look forward to you
1999 getting a handle on this and fixing some of those, what I think
2000 are some holes, like the example I gave.

2001 Thank you.

2002 I yield, Mr. Chairman.

2003 Chairman Meeks. The gentleman yields back.

2004 I now recognize Representative Brad Sherman of California
2005 for 5 minutes.

2006 Mr. Sherman. Thank you.

2007 I think we should recognize that Russia has massively
2008 underperformed in Ukraine, in large part because of the lack of
2009 technology and a lack of weapons. They are now having to go to
2010 Iran to try to import drones. When I grew up, the Soviet Union
2011 was a superpower.

2012 The second thing we should observe is that we have an enormous
2013 trade deficit with the world. And under such circumstances, we
2014 need to sell something. And we should not be surprised when
2015 China, for example, buys assets in the United States because we
2016 have created a circumstance where they don't have to buy our goods,
2017 and we are buying -- they have clear access to us and we supposedly

2018 have huge tariffs on them, and those tariffs average less than
2019 5 percent. So, giving China huge access to our market weakens
2020 us and puts us in a position where they have all the cash they
2021 need to buy assets rather than goods.

2022 Every time we refuse to export something to the world, I
2023 think as the Under Secretary has kind of illustrated, and they
2024 are able to get it from somewhere else, we have weakened our
2025 industrial base because we are not getting the orders for those
2026 goods, and we strengthen the industrial base of the other place
2027 that is providing those items. And by definition, those are
2028 countries that are following our lead.

2029 We have finetuned our requirements on what we won't export
2030 to Russia. And as you point out, that is a different strategic
2031 objective and a different strategic threat than China. Have we
2032 finetuned what we are not exporting to China?

2033 Mr. Estevez. Thank you for that.

2034 You know, we continue to finetune, in your words -- and I
2035 guess I would use those same words -- what we are allowing exported
2036 to China. Now, again, I need to point that out, and as you
2037 articulated in your comments, we need to do that with our allies
2038 and partners, because we are not the only people who make certain
2039 capabilities.

2040 Mr. Sherman. Right.

2041 Mr. Estevez. And I think we can bring them along. I think

2042 that there is an opening for that. And the Russia coalition
2043 actually is --

2044 Mr. Sherman. Name the one country that Americans think is
2045 our ally that have not been helpful with regard to Russia since
2046 the invasion.

2047 Mr. Estevez. I would rather not do --

2048 Mr. Sherman. I know, but you are here and I am asking you.

2049 Mr. Estevez. Well, you know, we have been asked quite --

2050 Mr. Sherman. I mean, I could go down the list of countries
2051 and say, "Give them a grade. Give them a grade."

2052 Mr. Estevez. Yes.

2053 Mr. Sherman. Just tell me, who is -- which --

2054 Mr. Estevez. Countries I would love to be part of the
2055 coalition are people like India, people like Brazil. Now, I don't
2056 think, as I said earlier, that they are actually providing the
2057 capability that Russia needs, which is a good thing. And I
2058 understand that, you know, they have their own issues, but I would
2059 love to see them part of the coalition.

2060 Mr. Sherman. Are the more advanced Western countries or
2061 technological countries, and those countries with a greater
2062 technology than India and Brazil, are they cooperating?

2063 Mr. Estevez. Yes, they are.

2064 Mr. Sherman. Good.

2065 I would point out that -- what is it? -- 107 Chinese entities

2066 have been added to the organizations list just in this
2067 administration. So, you are, clearly, focused on doing your job.

2068 And my job is to conclude before my time has expired. So,
2069 I yield back.

2070 Chairman Meeks. The gentleman yields back.

2071 I now recognize Representative August Pfluger of Texas for
2072 5 minutes.

2073 Mr. Pfluger. Thank you, Mr. Chairman.

2074 And, Under Secretary, thank you for being here.

2075 Previously, in some of the questions, you mentioned
2076 overmatch and you mentioned with regards to the Chinese military
2077 end users, the sole goal or the goal objective of yours being
2078 to preclude them from getting the requisite technologies, the
2079 capabilities.

2080 So, I just kind of wanted to expand on that. You know,
2081 learning what we have learned, knowing what we know now, what
2082 is your strategy? Is it a before-invasion understanding that
2083 Xi Jinping has that desire or at least has said he is not going
2084 to rule out the use of force for Taiwan? Or is it an
2085 after-the-fact strategy?

2086 Mr. Estevez. Yes, so our strategy for competing the Chinese
2087 military's capability to modernize at the same level of our
2088 capability, that is a "now" thing. We are absolutely working
2089 and assessing what we need to do to stop exports of, or to put

2090 restrictions on, to stop that. Now again, a lot of that needs
2091 to be done with our partners.

2092 So, I am in the position right now where we built this
2093 coalition around Russia. It is a great thing to use that as the
2094 springboard to bring around a full coalition of people to focus
2095 on that same problem set in China.

2096 Mr. Pfluger. Yes, I think there has ever been a threat
2097 environment that is this complex, this severe, that takes on the
2098 different domains in away that we are now seeing -- whether it
2099 be cyber or physical, or any other threat. So, I would really
2100 encourage you to continue to do what you said, which is to preclude
2101 them from getting this, because more could have been done in
2102 Ukraine; more could have been done with regards to Russia to
2103 prevent Ukraine from happening.

2104 Mr. Estevez. I mean, we are always -- now, my job is not
2105 on the full deterrence picture, right. That is an interagency
2106 thing, including my counterparts at DOD. And again, I fully spent
2107 my life or my last 10 years at DOD looking at the China problem,
2108 right. So, we need to have the full gamut of American power and
2109 the power of all our allies to do that properly.

2110 Mr. Pfluger. One of the things that Chinese companies are
2111 notorious for doing is just simply changing their name and moving
2112 from this shell to another shell. An example of this is Honor,
2113 and it is, you know, with the access to technology and software.

2114 And I am not sure if anybody hears this background feedback
2115 on the microphone. Apologies for that.

2116 But the sale of Honor was not a market-based sale; it was
2117 a state-based sale. And, you know, the same concerns about
2118 technology exports to Honor, when it was part of Huawei supply
2119 under its current form and its current structure. So, can you
2120 kind of talk to me, the ultimate disposition, not just for Honor,
2121 but for Entity List designation for those companies that move
2122 just name only?

2123 Mr. Estevez. So, again, I won't specifically talk about
2124 any specific company or a specific investigation that I have.

2125 However, with regard to spinoffs, that is one of the things I
2126 am looking at to see, you know, what we should be doing for a
2127 spinoff that is, essentially, may or may not be a front company,
2128 if you would. So, I want to make sure that, if we see that, that
2129 we Entity List down or we take appropriate action, depending on
2130 what that might be.

2131 Mr. Pfluger. What do you view the threat of Confucius
2132 Institutes at our universities in the United States? What is
2133 your perspective on that and the threat level?

2134 Mr. Estevez. Yes, I can't specifically address Confucius
2135 Institutes. I will address higher ed, in general. You know,
2136 obviously, we have a crown jewel of higher ed and an innovation
2137 ecosystem around that.

2138 We have stood up a university outreach program with export
2139 control officers explaining the threat, giving them the threat,
2140 assigning to key universities specific people to be talking to
2141 them, and we prioritize that engagement with our outreach
2142 officers.

2143 Mr. Pfluger. There is no question in my mind, and based
2144 on your previous work in DOD, the DOD did a fairly good job of
2145 identifying these companies, the spinoff companies that were --
2146 you know, you can track them and they can be named to an Entity
2147 List, and the next time they changed.

2148 Mr. Secretary, it is critical that we do this work now.
2149 It is absolutely critical that we identify and that we take the
2150 appropriate action, when it comes to your new domain, to prevent
2151 this carnage from happening in another area of the world.

2152 Mr. Estevez. That is our focus, Congressman.

2153 Mr. Pfluger. Mr. Chairman, I yield back.

2154 Chairman Meeks. The gentleman yields back.

2155 Are there any other members requesting time? Any other
2156 members requesting time?

2157 [No response.]

2158 Hearing none, I will now thank the members for their
2159 questions.

2160 I particularly thank Under Secretary Estevez for his time
2161 and his invaluable insight on our export controls against Russia;

2162 also, what he is doing in regards to China.

2163 I would also like to thank Ranking Member McCaul for his
2164 partnership in working on this timely hearing.

2165 And to all of the members, I think that this was a very
2166 insightful hearing and we received valuable information.

2167 I am also grateful to the important work that BIS and the
2168 Biden administration have done to respond to Russia's war and
2169 to rally the world to Ukraine's aid. I know everyone at BIS has
2170 been working tirelessly, not to just roll out these controls,
2171 but to ensure that they are effective and that they are enforced.

2172 We appreciate that. We appreciate working collectively
2173 together in a multilateral way.

2174 This is a moment of adversity and challenge, not just for
2175 Ukraine, but for Europe and the democracies around the world.

2176 Export controls continue to be a critical tool for the United
2177 States in these fights. And we, as a nation, must develop the
2178 framework on how we want to use the leverage of export controls
2179 going forward -- working in tandem, again, with other countries.

2180 I can't stress that enough, working -- because doing it alone,
2181 we cannot be successful. And if we continue to work in tandem,
2182 these controls are effective, while also allowing the United
2183 States to remain economically competitive and a leader in science,
2184 technology, and innovation.

2185 So, I look forward to continuing with all members of this

2186 committee on this critical issue. We may have the Secretary back,
2187 so that we can talk in a different setting and get his additional
2188 insight.

2189 And again, we thank you for your expert testimony we have
2190 heard today.

2191 And this hearing is now adjourned.

2192 [Whereupon, at 12:39 p.m., the committee was adjourned.]