



U.S. Immigration and Customs Enforcement

STATEMENT

OF

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REGARDING A HEARING ON

***“ECONOMIC ESPIONAGE: A FOREIGN INTELLIGENCE THREAT TO
AMERICAN JOBS AND HOMELAND SECURITY”***

BEFORE THE

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON COUNTERTERRORISM AND INTELLIGENCE**

**THURSDAY, JUNE 28, 2012 -- 10:00 a.m.
311 CANNON HOUSE OFFICE BUILDING**

INTRODUCTION

Chairman Meehan, Ranking Member Higgins, and distinguished members of the Subcommittee:

On behalf of Secretary Napolitano and Director Morton, I would like to thank you for the opportunity to discuss the efforts of U.S. Immigration and Customs Enforcement (ICE) to combat intellectual property (IP) and technology fraud by foreign governments. The theft of U.S. proprietary technology, including controlled dual-use technology and military grade equipment, from unwitting U.S. companies is one of the most dangerous threats to national security. As I will discuss today, by maintaining investigative partnerships with other law enforcement agencies, both in the United States and internationally, ICE is at the forefront of the nation's efforts to investigate these threats.

HSI's Counter-Proliferation Investigations Unit

ICE's Homeland Security Investigations (HSI) Directorate is the largest investigative program within the Department of Homeland Security (DHS), with an extensive portfolio of enforcement authorities. Notably, HSI special agents possess statutory authority to enforce more than 400 federal laws. Specifically, HSI investigates a wide range of trade fraud, including IP theft, commercial fraud, and export violations. HSI special agents detect, disrupt, and dismantle cross border criminal networks engaged in the smuggling of people, narcotics, bulk cash, weapons and weapons-related components across our borders. HSI also has full statutory authority to investigate and enforce criminal violations of all U.S. export laws related to military items and controlled "dual-use" commodities (i.e., items with both commercial and military applications). Further, HSI has the capability to expand the scope of its investigations to its international offices situated throughout the world.

ICE leads the U.S. Government's efforts to prevent foreign adversaries from illegally obtaining U.S. military products and sensitive technology, including weapons of mass destruction and their components. HSI's Counter-Proliferation Investigations (CPI) Unit targets the trafficking and/or illegal export of conventional military equipment, firearms, controlled dual-use equipment and technology, and materials used to manufacture weapons of mass destruction, including chemical, biological, radiological, and nuclear materials. HSI special agents investigate illegal exports of military equipment and dual-use technology to embargoed countries, and significant financial and business transactions with proscribed countries and groups. Our HSI special agents also conduct export enforcement training for foreign law enforcement agencies, and provide outreach with private industry in the United States and internationally.

The primary goal of HSI CPI investigations is the detection and disruption of illegal exports before they, or the actors behind them, cause damage to the national security interests of the United States. HSI's export enforcement program uses a three pronged approach: detecting illegal exports, investigating potential violations, and obtaining international cooperation to investigate leads abroad. HSI relies on specially trained U.S. Customs and Border Protection officers stationed at ports of entry to inspect suspect export shipments. Following detection of a violation, HSI special agents deployed throughout the country initiate and pursue investigations to identify, arrest, and seek prosecution of offenders of the Arms Export Control Act of 1976, the Export Administration Act of 1979, the International Emergency Economic Powers Act, and other related statutes.

The international nature of counter-proliferation networks and schemes requires a global investigative response. The HSI Office of International Affairs has 71 offices around

the world that work to enlist the support of their host governments to initiate new investigative leads and to develop information in support of ongoing domestic investigations.

In fiscal year 2011, HSI special agents initiated a total of 1,785 criminal investigations into possible export violations, made over 530 arrests, and obtained 487 indictments and 304 convictions for export related criminal violations, more than any other Federal law enforcement agency (as reported by the Department of Justice). In addition, HSI agents conducted over 1,200 seizures of arms, military weaponry, and other sensitive commodities related to illegal export schemes. These efforts contributed to preventing sensitive U.S. technologies and weapons from falling into the wrong hands.

Project Shield America (PSA)

One of the most effective tools HSI special agents use as part of HSI's larger counter-proliferation strategy is our industry outreach program, Project Shield America (PSA). Through this program, HSI special agents conduct outreach to manufacturers and exporters of strategic commodities to educate them on U.S. export control laws, discuss export licensing issues and requirements, identify "red flag" indicators used in illegal procurement, and identify the government agencies responsible for the licensing of export controlled commodities and technology. As of 2011, HSI agents have delivered over 20,000 outreach presentations to private industry and other entities as part of the PSA program.

Export Enforcement Coordination Center (E2C2)

A part of the President's Export Control Reform Initiative is to improve law enforcement coordination to investigate violations of U.S. export control laws. In November 2010, President Obama signed an Executive Order creating the Export Enforcement

Coordination Center (E2C2) – a multi-agency center housed within HSI that serves as the primary government forum for the exchange of information and intelligence related to export enforcement. Operational since April of this year, E2C2 enhances the United States’ ability to combat illicit proliferation by working to coordinate investigative and enforcement activities related to export control.

The E2C2 is staffed with full-time personnel from HSI, as well as individuals detailed from other departments and agencies including the Departments of State, Treasury, Defense (DoD), Justice, Commerce, Energy, the Office of the Director of National Intelligence, and other Executive Branch departments, agencies or offices as designated by the President.

Specifically, the functions of the E2C2 include:

- Coordinating the de-confliction of criminal and administrative enforcement actions and resolving conflicts that have not been otherwise resolved in the field;
- Acting as the primary point of contact between enforcement authorities and agencies engaged in export licensing;
- Coordinating law enforcement public outreach activities related to U.S. export controls; and
- Establishing government-wide statistical tracking capabilities for U.S. export enforcement activities.

The E2C2 replaced HSI’s National Export Enforcement Coordination Network (NEECN), which led coordination among DHS components to address challenges inherent with dismantling transnational procurement networks. Unlike the NEECN, the Executive Order requires E2C2 participation by law enforcement and the Intelligence Community (IC).

CPI Centers

Faced with increasingly sophisticated global procurement networks, HSI has established and implemented CPI Centers throughout the United States to utilize CPI resources in the field strategically. The CPI Centers are intended to serve as a regional HSI resource for manpower, expertise, de-confliction, undercover operational support and/or other CPI assistance that HSI offices may require. This concept allows for dedicated and experienced HSI special agents to be strategically placed in high- risk domestic areas to improve HSI's ability to combat illegal exports and illicit procurement networks that pose a threat to the United States.

Geographically, CPI Centers are selected based on criteria including significant cases and statistics, threat assessments in respective areas of responsibility, and proximity to DoD and other U.S. Government agencies involved in export enforcement. ICE currently has 12 CPI Centers located throughout the United States.

National Intellectual Property Rights Center

ICE is a leading agency in the investigation of criminal intellectual property violations involving the illegal production, smuggling, and distribution of counterfeit and pirated products, as well as associated money laundering violations. Led by ICE, the National Intellectual Property Rights Coordination Center (IPR Center), located in Arlington, Virginia, brings together 20 Federal and international partners to leverage resources, skills and authorities to provide a comprehensive response to IP theft.

The mission of the IPR Center is to address the theft of innovation that threatens U.S. economic stability and national security, undermines the competitiveness of U.S. industry in world markets, and places the public's health and safety at risk. The entry of

goods into the United States is an integral part of the economic health of our nation. However, with the growth of international trade comes an increased risk of border security compromises, including threats to national security and economic crime.

IPR Center Outreach

Outreach to industry is an important part the IPR Center's strategy. To combat the theft of trade secrets, the IPR Center and the Department of Commerce (DOC) have been hosting a series of intra-governmental meetings to identify the issues and the current U.S. Government response to trade secret theft, and then plan to engage with industry representatives to obtain their input and support in these efforts.

The IPR Center has further enhanced its collaboration with the DOC to provide outreach and training at the state and local level for retailers and brand owners. In collaboration with the U.S. Export Assistance Centers, these outreach and awareness raising efforts are planned to precede or follow selected IPR Center training events. Through this effort, DOC and the IPR Center, along with other U.S. Government agencies and industry, are able to provide local rights holders and businesses with valuable insight on best practices, resources and initiatives that can help them combat IP violations, including trade secret theft.

CONCLUSION

HSI special agents are working tirelessly to combat the proliferation of U.S. proprietary technology by foreign governments, ensure that this technology does not reach the wrong hands, and prosecute those who subvert the rule of law and threaten our national security. We look forward to continuing to work with the Subcommittee on this issue.

Thank you once again for the opportunity to appear before you today. I would be pleased to answer any questions.