

**Statement of
Daniel O. Hill
Acting Under Secretary of Commerce for Industry and Security**

before the

**Committee on Banking, Housing and Urban Affairs
United States Senate**

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Mr. Chairman, Senator Shelby, Members of the Committee:

I welcome the opportunity to appear before the Committee today to discuss the Department of Commerce's role in administering and enforcing U.S. dual-use export control policies towards Iran. We work closely with our colleagues at the Departments of State and the Treasury, as well as other agencies, to implement the long-standing U.S. embargo on Iran effectively.

The United States has had a trade embargo on Iran since May 1995. The United States took these steps because of Iran's continued active support for terrorism and concerns that it is pursuing weapons of mass destruction.

All exports to Iran are subject to both the Export Administration Regulations (EAR) and the Department of the Treasury's Iranian Transactions Regulations. Treasury is the lead agency for administering the embargo, which features not only a prohibition on exports and reexports of items under the Commerce Department's jurisdiction, but also comprehensive restrictions on financial transactions and investments under the jurisdiction of the Treasury Department.

Commerce, however, is responsible for several aspects of the embargo of Iran. First, Commerce provides technical assistance to Treasury on the proper classification of items proposed for export or reexport to Iran under a Treasury license. The Iran Iraq Arms Non-Proliferation Act of 1992 (Note to 50 U.S.C. 1701) generally requires BIS to deny licenses, absent a Presidential waiver, for the export or reexport of items on the Commerce Control List (CCL) to Iran. In considering an application to export an item to Iran, Treasury must know whether the item is on the CCL and thus prohibited for export to Iran without a waiver. Commerce determines whether the item is on the CCL and informs Treasury.

Second, Commerce plays a vital role in enforcing the embargo by investigating transactions that may constitute exports or reexports to Iran in violation of the EAR. An export or reexport of an item subject to the EAR without Treasury authorization will generally constitute a violation of the EAR. The Bureau of Industry and Security (BIS) has approximately 100 federal law enforcement agents in ten field offices throughout the United States. The field offices are located in Boston, New York, Washington, Miami, Chicago, Dallas, Los Angeles, San Jose, Houston; and the Washington, DC area. Additional BIS agents are based in main Commerce here in Washington. These agents are on the frontlines of the effort to prevent illicit transfers of items which would do us harm if they fell into the wrong hands.

In addition, Commerce has export control officers (ECO) in five foreign locations – Abu Dhabi, United Arab Emirates; Beijing and Hong Kong; New Delhi; and Moscow. In Fiscal Year (FY) 2010, BIS has authorization to post an ECO in Singapore and a second ECO in Beijing. These ECOs are Bureau of Industry and Security enforcement agents temporarily assigned to the U.S.

& Foreign Commercial Service. The ECOs conduct pre-license checks and post-shipment verification visits to verify that items will be, or are being, lawfully used and have not been diverted to prohibited users or uses within the country or illegally transshipped to another country such as Iran.

The Commerce Department closely coordinates with the Department of State and other agencies to work with other countries, including states that may be involved in transshipments to Iran , to establish and strengthen those states' export and transshipment control systems. This enables those countries to cooperate with us on specific transactions as well as take actions against parties in their own territory who are illegally exporting items to countries such as Iran.

Commerce also can bring to bear unique tools to enforce U.S. export controls on Iran. These tools include Temporary Denial Orders (TDO) and the Entity List. A TDO is a legal order that can be issued quickly, for 180 days at a time, to prevent imminent violations of the EAR. For example, in 2008, we issued a TDO denying the export privileges of Balli Group PLC and related companies and individuals (“Balli Group”), Blue Airways, and Mahan Airways for 180 days. Evidence obtained by our agents showed that the parties knowingly reexported three U.S.-origin aircraft to Iran in violation of the EAR and were preparing to reexport three additional U.S.-origin aircraft to Iran in further violation of the EAR. The TDO effectively precluded U.S. or foreign parties from engaging in any activity related to the aircraft. Ultimately, the TDO prevented the illegal reexport of three commercial aircraft to Iran.

The Entity List is a regulatory tool that can be used to prohibit the export, or reexport, of any

item subject to the EAR, including items not on the CCL, to any listed entity. In 2008, the Bureau of Industry and Security added 75 foreign parties to the Entity List because of their involvement in a global procurement network that sought to illegally acquire U.S.-origin electronic components and devices capable of being used to construct Improvised Explosive Devices (IEDs). These commodities had been used in IEDs or other explosive devices against Coalition Forces in Iraq and Afghanistan. This network acquired U.S. origin commodities and illegally exported them to Iran. As a consequence of the addition of these entities to the Entity List, no U.S. or foreign party may export or reexport items subject to the EAR to them without a license. Exporting or reexporting an item to any of these entities without the required license would constitute a violation of the EAR.

In addition, Commerce has led investigations of a number of significant cases involving Iran which have in turn led to successful enforcement actions. Commerce currently has 235 open investigations involving Iran which constitute about 29 percent of all open investigations of potential violations of the EAR. I have attached a summary of prosecutions concluded in 2008 for illegal exports to Iran.

The Commerce Department's authority to enforce our dual-use export controls is based on the Export Administration Act of 1979 (EAA). This statute, however, has been in lapse since 2001. While the EAA is in lapse, the U.S. dual-use export control system has been maintained under the authority of the International Emergency Economic Powers Act (IEEPA). Most recently, the president renewed Commerce authority under IEEPA in August 2009.

Cooperation with our sister law enforcement agencies has been paramount to the success of our efforts to prevent unauthorized exports to Iran and obtain sanctions against those making such exports. We work in concert with the Federal Bureau of Investigation, U.S. Immigration and Customs Enforcement, and several other agencies, including by participating in several FBI-led Joint Terrorism Task Forces, which focus on export control violations, including those involving Iran's support of international terrorism and violations of the Iran sanctions.

Finally, the Commerce Department maintains a robust outreach program to educate the private sector on the embargo on Iran. We have detailed guidance on our website for exporters to follow. We also focus on key companies such as freight forwarders, integrators, air cargo carriers, and shipping lines with regard to the embargo of Iran. Our efforts are targeted towards educating exporters on vigilance in partnering with firms based in major transshipment hubs, not only in the Persian Gulf region but also in Southeast Asia, which might result in illegal transshipments of U.S.-origin goods to Iran.

In conclusion, the Department of Commerce plays a key role in the administration and enforcement of the embargo on Iran. At this time I would be happy to answer any questions you may have.

Summaries of Recent Commerce Enforcement Cases involving Exports or Reexports to Iran

- On January 30, 2009, James Gribbin, former sales manager for Oyster Bay Pump Works, was sentenced to three years of probation and a \$100 special assessment in connection with an attempted export of laboratory equipment, valued at approximately \$300,000, to Iran via the United Arab Emirates. On May 1, 2008, Patrick Gaillard, President of Oyster Bay Pump Works, was sentenced to 30 days in prison, a \$25,000 criminal fine, three years of probation, and a \$300 special assessment for his part in the attempted export.
- On June 11, 2009, Traian Bujduveanu, the owner and operator of Orion Aviation, was sentenced to 35 months in prison followed by three years of supervised release for his role in the illegal export of civilian and military aircraft parts to Iran Defense Industries Organizations.
- On December 10, 2008, Nicholas Groos was sentenced to 60 days in prison, one year supervised release, a \$249,000 criminal fine, and a \$400 special assessment for his part in a scheme to transship U.S.-origin fire fighting equipment to Iran using his position as Director of the Viking Corporation subsidiary located in Luxembourg.
- On August 28, 2008, Desmond Frank was sentenced to 23 months in prison, a \$500 criminal fine, and a \$600 special assessment for his part in the export of defense articles to Iran and China.
- On August 7, 2008, James Angehr and John Fowler, owners of Engineering Dynamics Inc., were sentenced to five years of probation for their part in an attempt to export software to Iran via Brazil. Angehr was additionally sentenced to six months of confinement in a halfway house, and Fowler was sentenced to four months of confinement in a halfway house. Each defendant was fined \$250,000, and ordered to forfeit \$218,583. On May 22, 2008, Nelson Galgoul was sentenced to 13 months in prison, three years of supervised release, a \$100,000 criminal fine, and a \$109,291 forfeiture for his part in the conspiracy.
- On February 8, 2008, Mojtada Maleki-Gomi was sentenced to 18 months in prison and a \$200,000 criminal fine for exporting textile goods to Iran without the required export licenses, and Babek Maleki was sentenced to 12 months probation for making false statements related to the same export.