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Remarks as Prepared for Delivery by Assistant Secretary for Export Enforcement Matthew S. Axelrod to the 12th Annual Forum on U.S. Export & Re-export Compliance for Canadian Operations

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Thank you for the introduction.

It's great to be with you here in Toronto as you kick off the 12th Annual Forum on U.S. Export and Re-export Compliance for Canadian Operations. I'm particularly grateful to have the opportunity to speak with you this morning about how the United States and Canada are continuing to strengthen our export enforcement partnership.

Canada and the United States share more than just a border. We share a common perspective. We're partners in the collective effort to create a safe, secure, and prosperous North America. Our economies are deeply integrated, and we enjoy the largest bilateral trade and investment relationship in the world. The almost 400,000 people and \$2.6 billion worth of goods and services that cross our shared border every day are a testament to the strength of our economic relationship. We're also enforcement partners. Our two governments work together closely to bolster our shared continental security against domestic, regional, and global threats. President Biden and Prime Minister Trudeau reaffirmed this shared commitment at the North American Leaders' Summit earlier this month. As you'll hear shortly, within our countries' general law enforcement partnership, we have established a specific and impactful relationship on export enforcement. But first, a quick story about the Ukrainian men's ice hockey team.

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This month, the United States and Canada – along with 48 other countries from around the world – competed in the 2023 Winter World University Games in Lake Placid, New York. Staged every two years in a different city, the winter edition of the World University Games is the largest multi-sport winter event in the world, after the Winter Olympics. The Games combine high-level competitive sport – from ice hockey to snowboarding – with educational and cultural events. As the largest gathering of college athletes on the planet, the Games provide a unique

opportunity for students to represent their respective countries and connect with other students from around the globe.

But the real story of this year's Winter Games is one not of competition, but of cooperation.

Since Russia further invaded Ukraine last February, Ukrainians have celebrated major victories – like breaking the siege of Kyiv – and have endured major destruction, like the bombardment of Bakhmut. They have dealt with constant missile strikes, power outages, and a lack of basic necessities. Yet, somehow, in the middle of a war, despite the incredible hardship, the Ukrainian under-25 men's hockey team has managed to persevere.

The Canadian Hockey Federation and other Canadian sponsors made it possible for the team to come and tour Canada prior to the Winter Games. The Ukrainians played exhibition games against Canadian universities to raise money for humanitarian causes in Ukraine. Once at the Games themselves, they beat Sweden in a decisive 12-2 victory. Following the victory, Ukrainian Defenseman Arsen Paliichuk told a reporter: "We were motivated to win this game so the people back home could have some kind of hope and something to believe in over there." Without Canada's support, none of this would have been possible. The Ukrainian hockey team likely never would have even made it to the Games.

It is this hybrid of competition and cooperation, of representing one's own country's interests but also being part of something larger and interconnected, that I want to speak about with you today.

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Simply put, export controls are a shared endeavor. And when it comes to export enforcement, cooperation is critical to ensure our shared security.

At the U.S. Department of Commerce, where I am the Assistant Secretary for Export Enforcement, our team of law enforcement agents and analysts is focused on a singularly important mission: keeping our country's most sensitive technologies out of the world's most dangerous hands.

At no point in history has this mission been more important, and at no point have export controls been more central to our collective security, than right now. Countries implementing multilateral export control regimes have long known that such controls are critical to the world's safety, and most effective when widely implemented across the globe. But our current geopolitical challenges, the increasingly rapid development of technology with the potential to provide asymmetric military advantage, and the countless ways in which the world is now interconnected, have raised the prominence and impact of export controls in unprecedented ways.

And that means that the importance of export enforcement has risen in unprecedented ways as well. It's not sufficient for likeminded countries just to have parallel controls on paper. It's

critically important, but it's not sufficient. We also need to ensure a common commitment to effective implementation and enforcement of those controls.

In other words, export enforcement must be a shared focus across the globe. Strong multilateral export enforcement coordination is essential to keeping the world safe. All likeminded countries should be looking to build their export enforcement capacity, both individually and collectively. That enforcement capacity will help protect countries' own sensitive goods and technologies – as well as those of their allies – from being transferred to countries or entities that may use them for harmful purposes such as destabilizing military modernization, proliferation of weapons of mass destruction, support for terrorism, or human rights abuses.

There are, of course, challenges to ensuring effective export control enforcement. For example, enforcement responsibility resides in different agencies in different countries, but often is handled as part of a country's Customs bureau. Customs bureaus, understandably, are often preoccupied with preventing harmful items – like drugs and weapons – from coming into a country and therefore are sometimes less focused on sensitive items – like technologies that can be used to support military modernization programs – from going outbound.

But given the increase in security risk that advanced technologies – such as quantum computing, hypersonic weapons, and unmanned aerial vehicles – now pose, we need all likeminded countries to invest in their export enforcement capacity. Unlike other geopolitical challenges, export enforcement cannot be effective unless there is a coordinated global effort. Without such an effort, bad actors can simply bypass one country's controls and source a sensitive commodity elsewhere. It's only by working together, with strong enforcement regimes across countries, that we can truly protect technologies that need protecting.

We've done this before. Up until 1977, when the United States passed the Foreign Corrupt Practices Act (FCPA), no country in the world considered the bribing of foreign officials for business purposes to be illegal. Twenty years later, the Organization for Economic Cooperation and Development's (OECD) Anti-Bribery Convention was signed. The Convention – eventually ratified by 44 countries, including the United States and Canada – illustrates a shared global understanding of the importance of combating bribery of foreign public officials. In other words, the world shifted. Countries took collective action against a common challenge and built a multilateral enforcement coordination mechanism to combat foreign corrupt practices.

We're now beginning to see that same shift with respect to export enforcement. As our country's Deputy Attorney General, Lisa Monaco, stated last year, export and sanctions enforcement are “the new FCPA.” In other words, just as the U.S. Department of Justice previously ramped up enforcement of its foreign bribery statute and worked with partners around the world to ensure a robust global enforcement focus, so too is the United States now ramping up sanctions and export control enforcement. Like bribing a foreign official, exporting the most sensitive goods and technologies without appropriate safeguards is a collective harm; and we must work collectively as partners – through coordinated and aggressive enforcement action – to prevent these sensitive goods and technologies from falling into the wrong hands.

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The events of the past year provide a stark example of the increasing importance of international export enforcement capacity and coordination. After Russia launched its brutal and unprovoked war against Ukraine last February, 38 countries – including the United States and Canada – coalesced to put in place the most expansive export controls in history aimed at a specific country. Both my colleagues at BIS Export Administration and their counterparts at Global Affairs Canada deserve immense credit for enacting these unprecedented – and based on Russia’s responses – increasingly stringent export controls.

The controls are working to degrade Russia’s ability to wage its unjust war against Ukraine. Global exports of semiconductors to Russia, for example, have seen a sustained decline of approximately 70 percent since the invasion began, leaving Russian companies without the chips they need for weapons like precision guided missiles and tanks. The Russian defense industry has struggled to replace weapons destroyed in the war, including over 6,000 pieces of military equipment, such as armored personnel carriers and infantry fighting vehicles. Russian hypersonic ballistic missile production has virtually ceased due to the lack of necessary equipment.

But it’s not enough just to impose multilateral controls; to be effective, controls need to be aggressively enforced, not only by the United States but through coordinated work with coalition partners. For the United States and Canada, that means coordinated work by our respective enforcement teams – my Export Enforcement team at the Bureau of Industry of Security (BIS) and Canada Border Services Agency (CBSA) here in Canada.

CBSA and BIS have enjoyed a successful relationship over the past decade, but the events of February 24, and the resulting export control rules, required intensified collaboration. And so, last June, BIS and CBSA announced a joint commitment to leverage our authorities and resources to detect, deter, and stop export violations.

Our first step in this process was to initiate quarterly senior-level meetings between our teams, where we strategize on how best to leverage our combined resources to enforce our complementary export control rules. In fact, this is precisely the reason I am in Canada this week – to meet with CBSA, as well as our colleagues from GAC and the Royal Canadian Mounted Police (RCMP), where we will: share information on diversion actors; coordinate the targeting and conduct of pre- and post-shipment verifications and audits; upgrade joint efforts to inspect, detain, and seize illicit shipments; and work to reduce threats through coordinated outreach, investigations, and enforcement actions.

Our second step was to establish a BIS enforcement analyst position in Ottawa to liaise on export controls directly and daily with CBSA and our other Canadian partners like GAC and RCMP. Since last summer, we’ve had an analyst stationed in Ottawa on a rotating basis. We are now in the process of hiring someone to fill a dedicated position there. This will be the first time ever that BIS has embedded a full-time analyst outside of the United States.

This partnership is already bearing fruit. During one of the temporary deployments last year, BIS and CBSA’s Counter Proliferation Operations Section (CPOS), working with U.S. Customs

and Border Protection, stopped a shipment of drone antennas on the tarmac in Alaska before they could be illegally exported. Drone antennas are used to either transmit or receive electrical signals and, in layman's terms, tell the drone where to go and what to do when it gets there. This interdiction is just one example of "intelligence to action" – a term used by our colleagues at CBSA to illustrate how we use real-time intelligence to take action and stop illicit procurement efforts.

And just today, we placed onto our Entity List seven Iranian unmanned aerial vehicle producers for providing drones to Russia that are being used to attack civilian infrastructure in Ukraine. As many of you are aware, Canada's export control regulations have restricted U.S.-origin goods destined to Iran since 1997, meaning that diverters can't circumvent our regulations by transshipping through Canada or vice versa. Given the threat posed by Iran's support for Russia's war machine, our increasingly close bilateral relationship on export enforcement – including our placement of an analyst in Ottawa – better positions us to prevent U.S. and Canadian technologies from enabling Iran's UAV program.

Collaboration on enforcement doesn't stop with just us and Canada. We are also working to coordinate more broadly with our other Five Eyes partners, as well as with ASEAN countries like Singapore, Malaysia, and the Philippines. And just last month, the U.S.-EU Trade and Technology Council (TTC) reaffirmed the importance of enforcing export controls in a parallel manner. The TTC resolved to take "additional steps to enhance enforcement collaboration between the United States and the European Union, including through the exchange of best practices . . . and with a view to promoting the consistent application of sanction-related export restrictions targeting Russia and Belarus." The EU and the U.S. have since piloted an information exchange on Russian diversion tactics and are actively planning exchanges of best practices, building upon the successes of our partnership with CBSA and GAC.

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While 2022 required intense work on Russia, Russia was not our only priority. We remain laser-focused on the risk posed by other nation-states, such as the People's Republic of China (PRC), Iran, and North Korea.

To give a recent example of the challenges we face, just two weeks ago, a California man pled guilty for violating export control laws by secretly funneling sensitive aeronautics software to a Beijing university. The recipient, Beihang University, had previously been placed on our Entity List for helping to develop the PRC's military rocket systems and unmanned air vehicle systems.

This case helps illustrate how the domains of national security and of academia are growing increasingly interconnected. To address this dynamic, we are actively engaging with U.S. academic institutions and research centers, in part through our Academic Outreach Initiative, on ways they can help safeguard their advanced research. We're also working closely with our Canadian counterparts in helping academic institutions protect themselves from current and future threat actors.

We also changed our policy on how we respond to a host government that is preventing our ability to conduct end-use checks overseas. We've found that the governments of foreign countries, like Canada, generally welcome our end-use checks, as they are eager to support their companies in receiving U.S. exports and participating freely in the global economy. When a foreign government prevents our attempts to conduct an end-use check for a sustained period, however, we are faced with the unacceptable risk that U.S.-origin goods or technology will be misused, given our inability to verify a company's compliance with our controls. Under our new policy, such governments now have a choice. If they cooperate and the end-use checks are successful, then companies will be removed from our Unverified List. On the other hand, if they continue to prevent our end-use checks, we will initiate the process to have companies added to our Entity List.

This new policy is having real world impact. After the policy became effective, we were able to complete successful end-use checks in China for the first time in over two years. In December, we removed 25 Chinese entities from our Unverified List after the satisfactory completion of end-use checks and verification of those entities' bona fides in cooperation. And the policy has had an impact in other ways as well. We didn't only remove entities from our Unverified List in December – we also moved nine Russian companies onto the Entity List because of Russia's sustained failure to schedule our end-use checks.

End-use checks provide us with unique insight into the reliability of foreign parties around the globe, insight that we can then share with our partners like GAC and CBSA to inform their licensing and enforcement decisions. As a result, when we expand our Export Control Officer (ECO) footprint abroad, it has direct implications for safeguarding not only U.S. exports, but also Canadian ones. Right now, we have ECO positions located in seven places around the world, in Beijing, Hong Kong, Frankfurt, Singapore, Istanbul, New Delhi, and Dubai. I'm excited to share that we're now adding two more ECO positions, one in Helsinki and the other in Taiwan. These new positions, plus our new Export Control Analyst position in Ottawa and our enhanced partnership arrangement with CBSA, mean that we now have more resources devoted to protecting U.S. and Canadian technology from diversion than ever before.

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I'll close with this. There's a quote from a prominent Canadian that has been repeated so often it is now a cliché. I'm sure you've heard it as something Wayne Gretzky said: "Skate to where the puck is going to be, not to where it has been." The quote captures the idea that we need to anticipate events and get ahead of them, lest we fall behind. That sentiment is most assuredly true for export enforcement. In our rapidly changing world, export controls are critical to protecting our collective global security. That's why we need all likeminded countries to build up their enforcement capacity, as well as to coordinate their enforcement efforts multilaterally. That's where we need to skate, because that's where the puck is going.

While I imagine you've heard the quote before, two things about the quote you may not know. First, it's not actually a Wayne Gretzky quote. It's a quote from Wayne's father, Walter Gretzky. And, second, it wasn't just an exhortation. It was a method of training. Walter Gretzky had his young son Wayne watch hockey games on television and trace the movement of

the puck on a piece of paper. When the game was done, Wayne had essentially created a map – a record of where the puck had spent the most time and where it had spent the least. After tracing hundreds of games this way, Wayne Gretzky learned to anticipate where the puck was going instinctively – not because of innate genetic talent, and not because of his father’s mere words, but because he put in the hard work, day after day after day, of methodically building his capacity.

Just as the last few decades have seen the expansion of multilateral antibribery enforcement, I am confident the next few will include a worldwide movement to combat export violations. But that movement won’t happen by itself. It is going to take sustained effort, by all of us, day after day after day, to build up our individual – and collective – enforcement capacity.

It’s been 34 years to the month that the first free trade agreement between the United States and Canada entered into force, and our relationship is stronger than ever. As President Biden said while announcing the U.S.-Canada Partnership Roadmap two years ago, we share a unique bond as friends, neighbors, NATO Allies, and partners. I look forward to continuing to strengthen that bond in the months and years ahead.

Thank you.