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**J. Randy Forbes**  
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November 18, 2011

The Honorable Leon Panetta  
Secretary of Defense  
1300 Defense Pentagon  
Washington, DC 20301-1300

Dear Secretary Panetta,

Thank you for your Department's response to my recent letter regarding my concerns about the proposed joint venture between General Electric (GE) and China Aviation Industry Corporation (AVIC) and your continued attention to maintaining the technological superiority of the United States military.

I firmly believe it is your responsibility, as Secretary of Defense, to ensure that the technologies developed under Department of Defense contracts for military purposes are not diverted in any form to strategic competitors such as China and I look forward to working with you to protect United States' interests in this regard.

I understand that neither GE nor the Department of Commerce have asserted the necessity for an export control license for the joint venture between GE and AVIC and that the Department of Defense may not have independent authority to pose a binding objection or block the transaction. However, this does not abrogate the Department of Defense from advising Congress, U.S. defense contractors, and the general public of the potential national security hazards of such technology transfers.

As a result, I request that you review the Defense Intelligence Agency (DIA) article in the October 7, 2011 Defense Intelligence Digest entitled "*Civilian Aircraft Industry Likely to Transfer Foreign Technology to Military.*" Please state if the conclusions of this briefing have any impact on the Department of Defense's intentions regarding a review of the GE-AVIC joint venture. Additionally, please state upon review of the DIA article that you reaffirm that it "remains the policy of the U.S. Government to deny exports to any Chinese military end-users or associated end-uses."

While Undersecretary Flournoy's response to my previous letter provided valuable insight into the export control process, my primary concerns are for the potential foreign use of technology initially developed under Department of Defense contracts with American taxpayer funding, the continued superiority of the U.S. military, and ultimately, the future national security of the United States. Given these concerns, I ask that you clarify the Department of Defense's intentions with respect to the following questions:

- Does the Department of Defense intend to conduct a formal review of the GE-AVIC joint venture that would examine the nature of the technology involved in the proposed joint venture and how it would be of benefit to the People's Liberation Army Air Forces as well as the compliance and enforcement mechanisms of the proposed joint venture? If not, why not?
- Has the Department of Defense determined that they do not possess the authority necessary to initiate such a review because GE has self-determined they need not apply for an export license for this technology? If so, what other authorities does the Department of Defense have that would allow them to formally review transactions

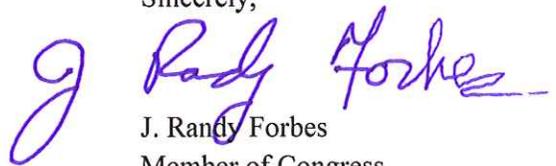
between foreign entities and companies that routinely contract with the Department of Defense for national security implications? What authorities does the Department of Defense need that they do not currently have?

- To date, what reviews – formal or informal - of the GE-AVIC joint venture have been conducted by the Department of Defense or subordinate agencies? To date, what guidance – formal or informal - has the Department of Defense provided either directly to GE, to the Department of Commerce, or to any other agency or subordinate? Please provide a briefing to my staff on the details of any reviews or guidance provided.
- While I understand that the Department of Treasury acts as the chair of CFIUS, it is also my understanding that the Department of Defense has the authority to request a review for covered transactions and certain joint ventures. Does the Department of Defense intend to request a CFIUS review of this transaction? If not, why not?
- Regarding your commitment to audit other joint ventures between PRC entities and defense contractors to the Department of Defense, please provide an expected timeline for the review as well as the terms of reference of the review. I also ask that you keep my office apprised of the progress of this review process. Further, please ensure that when the review is completed, a cross reference is provided that details the U.S. defense contracts the specified defense contractors are involved in.

Finally, I also wanted to draw your attention to the recently completed nonpartisan U.S.-China Economic and Security Review Commission (USCC) 2011 Annual Report which states that "Continued improvements in China's civil aviation capabilities enhance Chinese military aviation capabilities because of the close integration of China's commercial and military aviation sectors." They also state that "As part of its indigenous innovation policy, China incentivizes foreign companies to transfer technology in exchange for market access." Please provide your assessment of these conclusions and their influence on the Department of Defense's intended actions.

Thank you for your continued concern for protecting the U.S. military's technological superiority. I look forward to continuing to work with you in this regard.

Sincerely,

A handwritten signature in blue ink that reads "J. Randy Forbes". The signature is stylized, with a large, looped initial "J" and a long horizontal line at the end of the name.

J. Randy Forbes  
Member of Congress

CC: Secretary of the Treasury  
Secretary of Commerce  
Director of National Intelligence