



UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000

OCT 31 2011

POLICY

Dear Congressman Forbes,

Thank you for your letter to the Secretary of Defense dated October 17, 2011, regarding the transfer of technology to the proposed joint venture between General Electric (GE) and the Aviation Industry Corporation of China (AVIC), and your concern that aviation technology could aid military aviation programs of the People's Liberation Army's Air Force. I am responding on behalf of the Secretary.

I can assure you that the Department of Defense (DoD) is always concerned about any export of our nation's most sensitive technologies. Within the limits of our advisory role in the interagency export control process, we strive to defend the technological advantage of our combatant commanders, the life-span of our high-tech weapons systems, and the security interests of the United States, as well as those of our Allies and coalition partners. We share your concern about the export of advanced dual-use technologies and enabling hardware to China that may be diverted to unauthorized military end-users. To address that concern, it remains the policy of the U.S. Government to deny exports to any Chinese military end-users or associated end-uses.

Under the Export Administration Act (EAA), DoD has no statutory authority to administer, enforce, or mandate any aspects of the law that govern the export of dual-use commodities. The Export Administration Regulations (EAR), administered by the Department of Commerce (DoC), require DoC to consult with the Departments of Energy, State, and Defense regarding the export of those commodities that are controlled for national security reasons. DoD, through the Defense Technology Security Administration (DTSA), reviews only those applications referred to it by DoC.

On three separate occasions, GE representatives have briefed DTSA on the proposed joint venture and associated Integrated Modular Avionics (IMA) technology transfer. IMA is a serial high-speed databus solution, defined by a commercial standard. Although the advantages associated with this technology (reduction in weight, size, and power consumption) certainly have military value, they are also beneficial for civil aircraft. IMA solution technology is not unique to the U.S. and is available from a number of foreign sources.

Given the information provided by GE during these briefings, the IMA technology proposed for export does not require an export license to China for commercial applications. Furthermore, DoD has no independent authority to block the transaction, compel GE action, or pose a binding objection.

Regarding your request for a review of other joint ventures involving U.S. defense companies and Chinese entities, DoD will conduct a review of these transactions.

With respect to your question on possible CFIUS review, I would respectfully refer you to the Department of Treasury as the Chair of CFIUS.

If you would like to discuss any of these issues in further detail, Mr. James Hursch, the Director of DTSA, will be pleased to meet with you at your convenience.

Once again, I thank you for your concern regarding this issue and your continued dedication and service to all those who serve in our Armed Forces and the Department of Defense.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michèle A. Flournoy".

Michèle A. Flournoy