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Congress of the United States
House of Representatives

November 14, 2011

The Honorable Leon Panetta
Secretary of Defense
The Pentagon Room 3E 880
Washington DC 20301

Dear Secretary Panetta:

I write in strong support of Rep. Randy Forbes' request for both a National Security Review and a Committee on Foreign Investment in the United States (CFIUS) review of the recently-announced joint venture between General Electric (GE) and the Chinese firm AVIC to develop avionics systems for jets. It is my understanding that the technology that GE intends to share with the Chinese was originally developed for the U.S. military.

This partnership is troubling for a number of reasons, especially given the increasingly aggressive posture of the Peoples' Liberation Army (PLA), the rapid advances in Chinese aeronautics and space programs and the unprecedented Chinese threat from cyber attacks and espionage. The GE-AVIC joint venture could provide the Chinese with years, if not decades, worth of U.S. avionics technology that will fuel their aeronautics capabilities, potentially at great expense to our national and economic security.

That is why I was troubled to read comments in an August 22 *Washington Post* article by the chief executive of GE Aviation Systems, Lorraine Bolsinger, saying, "We are all in and we don't want it back." GE may not want it back, but the American taxpayers may be concerned that technology developed from federal contracts is now being supplied to the Chinese.

According to a November 4 article from *The Washington Post*, the administration's Office of the National Counterintelligence Executive has issued a warning that, "Chinese actors are the world's most active and persistent perpetrators of economic espionage." The counterintelligence office took this rare step of singling out the Chinese due to the severity of the threat to U.S. national and economic security.

Prolific Chinese espionage is having a real and corrosive effect on job creation. The article notes that, "The head of the military's U.S. Cyber Command, Gen. Keith Alexander, said that one U.S. company recently lost \$1 billion worth of intellectual property over the course of a couple of days -- 'technology that they'd worked on for 20-plus years -- stolen by one of the adversaries.'"

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As chairman of the House subcommittee that funds the Federal Bureau of Investigation (FBI), I am keenly aware of the aggressive nature of the Chinese espionage threat and its impact on our ability to create jobs in the U.S. Widespread reliance on IT systems in the private sector and government has made foreign espionage more pervasive than ever before. Chinese attacks have resulted in the theft of tens of billions of dollars in sensitive high-tech information. This stolen data is in turn provided to Chinese companies to compete against American firms.

Given the breadth and scope of this espionage, GE's assertions that they will be able to fully protect sensitive technology lacks credibility. According to the August 22 article, GE asserts "that they negotiated robust protections in their contract with AVIC. The 50-50 joint venture, for example, has strict limits on employing Chinese nationals who have a military or intelligence background. A board committee that monitors compliance with the joint venture agreement is effectively under GE's control and can, in a dispute, overrule the full board, Bolsinger said."

Should the GE-AVIC joint venture proceed, there is no question that all of the sensitive technology involved will be completely compromised by the PLA.

This joint venture could have serious consequences for U.S. national and economic security for decades to come. That is why it is so important that you immediately hold a National Security review and a CFIUS review to ensure that this joint venture is thoroughly vetted. I look forward to your response.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

THANK YOU

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J. Randy Forbes
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October 17, 2011

The Honorable Leon Panetta
Secretary
U.S. Department of Defense
1300 Defense Pentagon
Washington, DC 20301-1300

Dear Secretary Panetta,

As you may know, earlier this year, GE announced a joint venture with AVIC for the formation of an enterprise to develop, in the People's Republic of China, an Integrated Modular Avionics (IMA) hardware and software system for jets to be manufactured in that country, which will compete with U.S. firms such as Boeing. This IMA technology was developed originally for the U.S. military, specifically the F-22 and F-35 fifth generation fighter programs, though it is now regulated as dual use export controlled technology. Given its military origin, I am deeply concerned, once in the PRC, it will wind up aiding the military aviation programs of the People's Liberation Army Air Force (PLAAF), which is even now at work developing its J-20 fifth generation fighter that appears to be intended to threaten U.S. air supremacy in East Asia.

While I understand the Defense Technology Security Administration (DTSA) and the Bureau of Industry and Security (BIS) have conducted an informal licensing review of the military-origin technology involved in this joint venture, I also understand there has not been a National Security Review of this transaction with the PRC by DTSA and the other appropriate agencies of the federal government. Such a review would focus closely on the enforcement and compliance regime proposed by the joint venture. I urge you to immediately direct such a review to be conducted.

I also understand one defense of the proposed joint venture offered by GE is that this is not the first joint venture between a company like GE - one of the largest defense contractors developing technologies for the Pentagon - and entities in the PRC. That this is not the first such joint venture is not in dispute. However, I note the recent comments by your colleague in President Obama's cabinet, Secretary of the Treasury Timothy Geithner, who said at the September meeting of the G-20 in Washington:

They [the PRC] have made possible systematic stealing of intellectual property of American companies and have not been very aggressive to put in place the basic

protections...we [the PRC] want you to come produce here. If you want to come produce here, you need to transfer your technology to us.

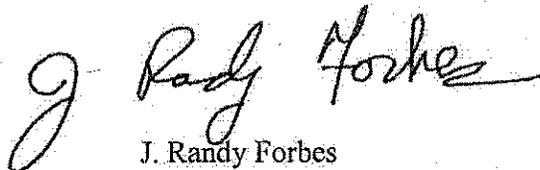
Between this practice described by Sec. Geithner, and the well-documented practice of the PRC to use cyber espionage to steal U.S. military secrets, it is clear the U.S. needs to rapidly improve how it protects its technology. In order to develop an appropriate protection policy, we must understand the full scope of our vulnerability.

I therefore ask you, in addition to undertaking a National Security Review of the GE-AVIC joint venture, to also audit what other U.S. defense contractors have entered into joint ventures with entities in the PRC, what technologies have been transferred to those joint ventures, whether that technology has been leaked out of the joint venture or is at considerable risk of doing of being leaked, what enforcement and compliance measures are involved with those joint ventures, and whether export control license checks and National Security Reviews of those joint ventures are needed.

I also seek your opinion on whether a joint venture such as this one, which I understand to be 50-50, and to involve a PRC state-owned enterprise, meets the criteria of a "covered transaction" for a CFIUS review. As you know, the Department of Defense is empowered to request CFIUS reviews of covered transactions.

I know you share my concerns about the infiltration of U.S. technology to the PRC and look forward to working with you to protect the U.S. military's technological advantage.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Randy Forbes". The signature is written in a cursive, flowing style.

J. Randy Forbes
Member of Congress

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