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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.

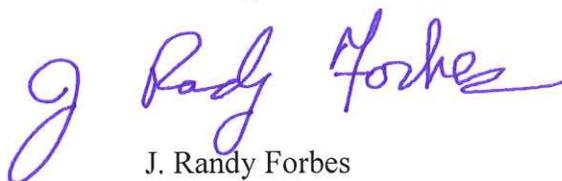
Between this practice described by Sec. Geithner, and the well-documented practice of the PRC to use cyber espionage to steal U.S. military secrets, it is clear the U.S. needs to rapidly improve how it protects its technology. In order to develop an appropriate protection policy, we must understand the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



J. Randy Forbes
Member of Congress

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