



THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

DEC 21 2011

The Honorable J. Randy Forbes
U.S. House of Representatives
Washington, DC 20515

Dear Representative Forbes:

Thank you for your November 18, 2011, letter to the Secretary of Defense regarding the Department of Defense (DoD) position on the General Electric (GE) and Chinese Aviation Industry Corporation of China (AVIC) joint venture, as well as other similar business arrangements. I am responding on behalf of the Secretary.

The Department shares your concern over the transfer of our Nation's most sensitive technologies to foreign nations, including the People's Republic of China, via business dealings that appear primarily commercial in nature. Our defense industrial base and the world markets upon which we rely are increasingly globalized, commercial, and financially complex, with a wide variety of international transactions occurring over the normal course of business. As the pace, scope, and complexity of these corporate interactions intensify, we must redouble our efforts to ensure critical areas of unique national security concern remain protected.

The GE/AVIC joint venture is just one example of a transaction that, by the nature of its legal structure, may not clearly fall within the specific authorities of one agency or department, but may affect multiple U.S. Government interests, including international competitiveness and technical advantage. For example, while the Department has some statutory authority to review certain transactions and business structures, the Committee on Foreign Investment in the United States (CFIUS) authorities are provided to the Department of the Treasury. Similarly, other agencies, such as the Department of Commerce, have additional authorities.

I have directed my Deputy Assistant Secretary of Defense for Manufacturing and Industrial Base Policy, Mr. Brett Lambert, to lead an effort to bring all Government stakeholders together to discuss not only the GE/AVIC joint venture but also the broader issue of intragovernmental collaboration on such transactions. This effort will allow us to better understand the full range of authorities that exist across the Government enterprise and to provide recommendations as to how we may deal more effectively with these issues using a whole-of-government approach.

We would be pleased to meet with your staff, at your discretion and earliest possible convenience, to answer your questions and discuss this important issue. Your interest in the DoD position on the GE/AVIC joint venture and similar business arrangements is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Kendall", is written over a faint, circular official stamp.

Frank Kendall
Acting