

U.S. Senate Committee on Armed Services

Carl Levin, Chairman
John McCain, Ranking Member

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FOR IMMEDIATE RELEASE

March 26, 2012

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Levin, McCain: GAO report shows China is failing to crack down on bogus electronic parts

WASHINGTON – A government investigative report released today provides further evidence that China is failing to crack down on the flood of bogus electronic parts making their way into U.S. military systems and endangering the safety of U.S. troops and U.S. national security.

The Government Accountability Office (GAO) released its findings today in a [report](#), “*DOD Supply Chain: Suspect Counterfeit Electronic Parts Can Be Found on Internet Purchasing Platforms.*” At the request of the U.S. Senate Armed Services Committee, the GAO created a fictitious company to solicit electronic parts on the Internet. In response, 396 vendors offered to sell parts to GAO – 334 from China. Of the 16 different parts GAO eventually purchased, all were counterfeit, including four parts that counterfeiters sold with bogus identification numbers. The 16 parts came from 13 suppliers, all based in China, the epicenter of electronic part counterfeiting.

“These findings should outrage every American,” said Sen. Carl Levin, D-Mich., chairman of the Senate Armed Services Committee. “GAO’s finding that every single counterfeit part that they bought online came from suppliers in China, while not surprising, is deeply troubling. The Chinese government’s refusal to shut down counterfeiting that occurs openly in their country puts our national security and the safety of our military men and women at risk. Not only that, but it also costs thousands of American jobs.”

“The GAO’s report sounds a stark warning to everyone in the defense supply chain on how easily counterfeiters of electronic parts can access the U.S. market and the extremes to which they will go to peddle their dangerous fakes,” said Senator John McCain, R-AZ, ranking member of the Committee. “That China was the source for all these bogus parts is consistent with our Committee’s own investigative work, as well as previous governmental reports. So long as this threat persists, we must continue to take steps, such as the ones Senator Levin and I legislated in last year’s defense bill, to prevent counterfeits from harming our troops and undermining our weapons systems.”

The Committee asked GAO to conduct the operation as part of a broader Committee investigation into counterfeit electronic parts in the Department of Defense’s supply chain. The

Committee will soon release a report containing the complete findings and conclusions of that investigation.

GAO investigators bought electronic parts in three categories:

- Parts with authentic part numbers but out of production and hard to find. GAO purchased seven parts in this category. All of the parts are used in important weapons systems and all failed inspection and were determined to be counterfeit. They included parts used on the Air Force's F-15 Eagle fighter jet, the Maverick missile, the Marine Corps' V-22 Osprey transport aircraft, and the Navy's *Los Angeles*-class nuclear submarine.
- Parts with authentic part numbers but stamped with date codes beyond the part's last actual production date – meaning that, at a minimum, the date stamps had been remarked. GAO purchased five parts in this category and all were determined to be counterfeit.
- Parts with bogus part numbers. GAO purchased four parts in this category. Despite the fact that GAO asked for nonexistent parts, suppliers – all in China – supplied them anyway.

The Committee held a hearing in November in which witnesses testified to the dangers of counterfeit parts in the defense supply system and about how a brazenly open market in counterfeit parts thrives in China.

The National Defense Authorization Act for FY 2012 contained two provisions directed at stopping counterfeit electronic parts before they enter the country. The first strengthens the inspection regime for imported electronic parts. The second ensures that the government can seek appropriate assistance from the private sector in determining whether or not an imported product is authentic.

“The Chinese government won't act to stop counterfeiting carried out in their country,” Levin said. “Since China won't act, we must. It is critical that Treasury and the Department of Homeland Security implement the authorities we gave them in the National Defense Authorization Act to stop counterfeit parts before they enter the country. There is too much at stake for us to delay.”

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