

Officials: Fake weapons parts 'ticking time bomb'

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"Sprinkling" sounds like a fairly harmless practice, but in the hands of sophisticated counterfeiters it could deceive a major weapons manufacturer and possibly endanger the lives of U.S. troops.

It's a process of mixing authentic electronic parts with fake ones in hopes that the counterfeits will not be detected when companies test the components for multimillion-dollar missile systems, helicopters and aircraft. It was just one of the brazen steps described Tuesday at a Senate Armed Services Committee hearing examining the national security and economic implications of suspect counterfeit electronics -- mostly from China -- inundating the Pentagon's supply chain.

"The failure of a single electronic part can leave a soldier, sailor, airman or Marine vulnerable at the worst possible time," said Sen. Carl Levin, D-Mich., chairman of the committee. "A flood of counterfeit electronic parts has made it a lot harder to have confidence that won't happen."

Company executives, a Defense Department official, government investigator and a representative from the semiconductor industry testified before the committee about a "ticking time bomb" of suspect counterfeit electronics ending up in weapons system. They described counterfeiters operating openly in China, with Beijing unwilling to crack down on the deception.

Missing from the long list of witnesses at the hours-plus hearing was a representative from China. Levin said the panel wrote the ambassador, but he declined to send someone to testify.

The committee's ongoing investigation found about 1,800 cases of suspect counterfeit electronics being sold to the Pentagon. The total number of parts in these cases topped 1 million. By the semiconductor industry's estimates, counterfeiting costs \$7.5 billion a year in lost revenue and about 11,000 U.S. jobs.

"The Chinese government can stop it," said Sen. John McCain of Arizona, the top Republican on the panel.

Later in the day, the Defense Department said in a fact sheet that it has a quality assurance process to determine whether parts are authentic and is taking steps to detect counterfeit parts, including training more than 2,000 personnel in identifying fake material.

The Pentagon also said there has been "no loss of life or catastrophic mission failure due to counterfeit parts."

During the hearing, photos of cardboard and plastic bins of electronic parts on the streets of Chinese cities flashed on large video screens as Thomas Sharpe, vice president of SMT Corp., an independent distributor of electronic components, described visiting electronic component marketplaces in July 2008.

Sharpe said scrapped electronic parts were washed in rivers or left for the daily monsoon rains, dried on riverbanks and collected in bins, ready for counterfeit processing.

"Counterfeiting performed in Shantou (a Chinese city) was not regarded as IP theft or improper in any way," Sharpe said. "It was seen as a positive 'green initiative' for the repurposing of discarded electronic component material."

Responding to the ongoing committee investigation and the widespread reports, China's Foreign Ministry said the government "attaches great importance to and has actively promoted cooperation in fighting fake and shoddy goods with competent authorities of other countries and such efforts are well known to all," according to Foreign Ministry spokesman Hong Lei.

Richard J. Hillman, an official with the Government Accountability Office, Congress' investigative arm, told the committee that the agency created a fictitious company to investigate counterfeit parts, purchasing them through the Internet. They were able to buy 13 parts and after analysis of seven found that none was authentic.

The committee investigators found that counterfeit or suspect electronic parts were installed or delivered to the military for several weapons systems, including military aircraft such as the Air Force's C-17 and the Marine Corps' CH-46 helicopter, as well as the Army's Terminal High Altitude Area Defense (THAAD) missile defense system.

Army Lt. Gen. Patrick J. O'Reilly, the director of the Missile Defense Agency, said counterfeit parts in seven instances cost the agency about \$4 million and it has moved to ensure the authenticity of every part.

"We do not want to be in a position where the reliability of a \$12 million THAAD interceptor is destroyed by a \$2 part," O'Reilly said.

Officials from Raytheon, L-3 Communications and Boeing said they took the problem of counterfeits seriously and were working to address the problem.

Levin made it clear that the companies and agencies cooperated with the committee's inquiry.

"We're all on the same side of the battle," he said.

Associated Press writer Christopher Bodeen in Beijing contributed to this report.