

AeA
Aerospace Industries Association
American Association of Exporters and Importers
Coalition For Employment Through Exports
Computer Coalition for Responsible Exports
Computer and Communications Industry Association
Electronic Industries Alliance
Information Technology Industry Council
National Association of Manufacturers
National Foreign Trade Council
Organization for International Investment
Semiconductor Equipment and Materials International
U.S. Chamber of Commerce

July 12, 2005

The Honorable Dennis Hastert
Speaker of the House
House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

We write on behalf of our collective members to register our strong opposition to H.R. 3100, the East Asia Security Act, which is scheduled for House action this week. Taken together, our members include many of the hundreds of American companies that would be severely affected by this ill-considered legislation. We urge that the bill be withdrawn from the House schedule.

We support the United States' goal of dissuading other governments from making arms transfers to China. Enactment of H.R. 3100, with its automatic, unilateral sanctions aimed at countries that are among our closest allies, would only undercut, not advance, U.S. efforts to achieve that goal. It is counterproductive to threaten European and other governments with a virtual U.S. embargo on mutual defense cooperation and technology transfer at a time when U.S. officials are in intensive discussions with officials of those same governments on a common approach to arms transfers in East Asia.

H.R. 3100 would restrict U.S. defense cooperation projects with any foreign government whose policies permit arms transfers to China, regardless of whether such transfers actually occur. For affected governments, the bill could terminate participation in existing projects. At a minimum, U.S. firms would have to obtain an export license for every transaction, including spare parts shipments and other routine interactions, regardless of dollar value. Hundreds of licenses would be required for defense projects, adding significant time and cost burdens for U.S. defense programs. Some governments no doubt would be dissuaded from continuing cooperation with the U.S. This provision threatens to disrupt countless ongoing U.S. defense projects with our

allies, including Israel, Australia, Canada, Britain and other NATO members. Moreover, companies, including their subsidiaries and affiliates, located in these countries would be unable to acquire U.S. defense assets without a license, even if the company does not make arms transfers to China.

Even more onerous, H.R. 3100 would impose unilateral sanctions on any foreign government or company that makes more than one transfer to the Chinese military, intelligence or security agencies, retroactive to January 1st of this year. This would apply both to munitions items and to a broad range of dual-use items, even when legally transferred to China under the laws of another country. Mandatory sanctions include: cessation of U.S. defense research and development cooperation, prohibition on U.S. dual-use and munitions transfers, divestiture of any U.S. defense manufacturing or services assets and ineligibility for U.S. military sales assistance.

The potential damage to U.S. industry, especially the defense and technology sectors, is significant. In the aerospace sector alone, total U.S. aerospace sales to the European Union exceeded \$23 billion last year, accounting for 40 percent of U.S. aerospace exports and supporting more than 600,000 American aerospace jobs.

In sum, H.R. 3100 seeks to coerce other governments into adhering to U.S. policies, by imposing draconian sanctions, automatically and retroactively. Such an approach inevitably will be counterproductive. It also will impede the ability of U.S. defense and technology firms to work with companies in Europe and other countries.

We urge that H.R. 3100 be withdrawn before it undercuts U.S. efforts to broaden international agreement with the U.S. goal of preventing arms transfers to China. It also should be withdrawn before it disrupts U.S. defense relationships with our allies. Finally, it should be withdrawn before it damages U.S. defense and technology companies.

Sincerely,

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