



Supporting the United States National Security Strategy: Combating Counterfeits Through E-waste Export Limits

In December 2017, President Trump unveiled the [*National Security Strategy of the United States*](#) designed to “restore America’s advantages and build upon our country’s great strengths.” The National Security Strategy addresses issues such as countering China’s challenge to American power, preserving peace through military strength and promoting American prosperity.

Problem: E-waste Exports Undermine Security

Counterfeit electronic components from China are pervasive in our defense supply chains and threaten the reliability of military technology. A Senate Armed Services Committee study found 1,800 cases of suspected counterfeits in weapons and equipment, including control systems for missile systems, military aircraft and helicopters. Equally important, experts say counterfeit microchips can undermine the performance of our critical infrastructure such as telecommunications, transportation and energy as well healthcare technologies and consumer products. Current trade policies help fuel this threat because counterfeiters use microchips stripped from electronic waste (e-waste) – much of it exported from the United States – as their raw materials.

Solution: Limit Export Of E-waste Used As Feedstock By Counterfeiters

Limiting export of untested, nonworking e-waste used by counterfeiters is an important part of a comprehensive, all-of-the-above approach to addressing this issue. To support the Trump Administration’s goals, we must process these materials in the United States so we keep them out of the hands of counterfeiters. Here are six key statements from the National Security Strategy that highlight the need for action:

- ✓ ***“We will rebuild America’s military strength to ensure it remains second to none.”*** Yet no matter how much we invest in our defense, counterfeit electronic components originating from China create serious concerns about the reliability of military hardware. The Armed Services Committee report notes that with counterfeit chips “there is no way to predict how well they will perform, how long they will last, and the full impact of failure.”
- ✓ ***“America will no longer tolerate chronic trade abuses and will pursue free, fair and reciprocal economic relationships.”*** Many of these counterfeits are used electronic parts – culled from e-waste exported into China from the United States and other countries – made to look new and be sold as new. These unethical trade practices undermine our security, and the Department of Commerce must act to restrict the export of untested, unprocessed e-waste that provides low-cost feedstock for counterfeiters.
- ✓ ***“We will redouble our efforts to protect our critical infrastructure and digital networks, because new technology and new adversaries create new vulnerabilities.”*** Counterfeit electronics provide a platform for hackers and cyber terrorists to launch attacks. Malware added to counterfeit microchips could steal information or prevent a device from operating as designed. Given the stakes, we must enact an all-of-the-above strategy to thwart counterfeiters, including e-waste export limits.

- ✓ ***“We will rejuvenate the American economy for the benefit of American workers and companies, which is necessary to restore our national power.”*** By combating counterfeits through e-waste export restrictions, U.S. policy will support the growth of the domestic e-waste recycling industry and create up to 42,000 quality jobs.
- ✓ ***“We will protect our national security innovation base from those who steal our intellectual property and unfairly exploit the innovation of free societies.”*** Counterfeit electronics are a good example of how “every year, competitors such as China steal U.S. intellectual property valued at hundreds of billions of dollars.” The Semiconductor Industry Association states in a white paper “Semiconductor companies spend tens of billions of U.S. dollars per year developing, manufacturing, and supporting products that will operate reliably for many years in customer applications. In contrast, counterfeiters spend minimal money developing and ‘manufacturing’ products.”
- ✓ ***“We will evaluate the strengths and weaknesses of our defense industrial base... including contingencies that could affect supply chains.”*** Measures enacted to date against counterfeiters share an important shortcoming – they detect fake microchips once they are in supply chains. By limiting exports, we will choke off an important source of raw materials to make it harder for parts to ever reach our shores.

For more information, visit the [CAER Website](#)

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