OPENING STATEMENT
The Honorable Paul Broun (R-GA), Chairman
Subcommittee on Investigations & Oversight
The Impact of International Technology Transfer on American Research and Development

December 5, 2012

Good morning, and welcome to today's hearing titled "The Impact of International Technology Transfer on American Research and Development." I want to thank our witnesses for being here and for being flexible. This hearing was originally scheduled in September, but because of a last minute member briefing by the Secretary of State on the Benghazi incident, we were forced to postpone. Ironically, there is another briefing on Benghazi right now as well, but we will move ahead. I apologize for any inconvenience this may have caused you, and thank you all for your understanding.

This hearing was difficult to organize for other reasons as well. Many potential witnesses expressed apprehension with appearing before the Committee to testify on this topic out of fear of retribution against their business interests by foreign countries. While they expressed serious concerns to us in private about the tactics of many foreign countries when it comes to technology transfer, they worried that speaking out publically about those tactics would adversely affect them in foreign markets.

This is unfortunate, because today's hearing addresses a topic of great concern to this Committee – innovation and U.S. competitiveness. While the U.S. invests significant taxpayer resources in public and private sector research and development, other nations remain dedicated to acquiring the fruits of our labor. These efforts to acquire U.S. technology have clearly had a significant impact on U.S. trade, GDP, and our standing as a world leader in research, development, and innovation. Unfortunately, measuring that impact has proven difficult.

Last year, the U.S. taxpayers spent roughly $130 billion on research and development, and U.S. companies and universities spent about another $310 billion. This doesn't even take into account the impacts of tax incentives that total over $8 billion. Determining who ultimately benefits from these investments should be something that government or private sector entities are able to track.

Our concerns are not limited to economic espionage and theft, even though that is clearly a significant threat. This Subcommittee has been active in ensuring that federal agencies under our jurisdiction are prepared for cyber attacks and insider threats that seek to steal sensitive or proprietary information. We are here today to discuss something different but just as troubling – the policies and practices of foreign countries that facilitate the transfer of U.S. technology and intellectual property overseas. This happens in many ways, sometimes through domestic manufacturing requirements, sometimes through standards certification, and sometimes through conditions of foreign investment. These policies, among others, allow foreign countries to exploit our R&D investments without making the commensurate investments.

Often times, U.S. companies allow this transfer to take place because they are faced with a difficult choice. In today's global marketplace, companies need access to the largest markets in order to compete. Sometimes, companies are faced with the difficult decision to either file for bankruptcy, or agree to detrimental financing terms, such as transferring intellectual property, in order to receive additional investment.   It was reported just last week that A123, a U.S. company that has received $124 million of its $249 million grant from the Obama Administration to develop battery technology for electric cars, would file for bankruptcy. As part of that bankruptcy, A123 planned to sell its business to U.S.-based Johnson Controls for $125 million, but other bidders are able to make better offers at an upcoming auction. China's Wanxiang Group Corporation has already expressed interest, making it entirely possible that the U.S. taxpayer's investment in A123 will simply go to China. This is just the most recent case. Several other companies that received significant support from U.S. taxpayers, like Evergreen Solar, were faced with making difficult decisions such as this in order to remain viable.

Time-and-time-again, we have seen U.S. R&D investments, particularly in sectors that received favorable treatment from the current Administration like wind, solar, and batteries, simply be sent overseas. It's a dirty secret that nobody wants to talk about - not the government agencies that fund the R&D, not the companies that receive the R&D, not the associations that represent the companies, and certainly not the foreign countries that benefit from our R&D investments. Investments, I should add, that ultimately came from money we borrowed from China in the first place.

I want to be clear, that this is not just about China. And this is not just about green technology. It's happening across the board. This also isn't about the value of public or private sector R&D – which everyone realizes is important for economic competitiveness. Our goal is to better understand the magnitude of the international technology transfer, ensure that someone is monitoring the issues, and identify measures to ensure that U.S. investments are realized by U.S. interests.

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