September 8, 2020

The Honorable James Inhofe
Chairman
Senate Committee on Armed Services
205 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jack Reed
Ranking Member
Senate Committee on Armed Services
728 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Adam Smith
Chairman
House Committee on Armed Services
2264 Rayburn House Office Building
Washington, D.C. 20515

The Honorable William "Mac" Thornberry
Ranking Member
House Committee on Armed Services
2208 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Inhofe, Ranking Member Reed, Chairman Smith, and Ranking Member Thornberry:

Thank you for your service to our nation and for your continued support for the men and women in uniform who dedicate themselves each day to protecting our national security. Despite the challenging environment caused by COVID-19 and the onset of the election season, we applaud your leadership in advancing our national security interests through the 2021 National Defense Authorization Act (NDAA).

The undersigned organizations share your commitment to advancing the NDAA, but we hold significant concerns with sections 826 and 830B of the House version and section 808 of the Senate version of the FY21 NDAA that would establish restrictions on the Department of Defense's (DoD) acquisition of military, commercial, and commercial off-the-shelf (COTS) products that use printed circuit boards (PCBs). We urge you to address our concerns before the legislation is finalized.

If enacted, **these provisions will harm DoD's ability to procure products that use PCBs, leading to significant cost increases for these products with no benefit to national security, and undermining U.S. businesses.** Despite the stated intent of the provision's proponents to remove PCBs sourced from China from the defense supply chain, the amendment excludes key non-Chinese providers which would result in a significant cost increase to the DoD thereby forcing companies to procure said products elsewhere.

We agree it is critical to protect the DoD against untrusted technologies. But these provisions are responding to a "low probability, high consequence" event and the proposed solution to only allow PCBs for DoD products from "covered countries" is not the correct approach. While there is a need to mitigate security risks with nations such as China, Russia, North Korea, and Iran, the definition of "covered country" in these provisions excludes many current sources of PCBs already used in DoD products and

products in the commercial space. This is a marked departure from past practice; in fact, many of the excluded nations are critical U.S. allies (like Mexico, Malaysia, South Korea, Tawian, and Vietnam) whose economic stability and national security are of vital interest to the United States and certainly do not pose a traditional security risk.

Furthermore, these provisions do not address the threats that potential adversaries might exploit at other stages of the supply chain as the production of PCBs themselves is just one input in a series of complex assemblies. The COVID-19 pandemic has underscored the need for a diverse range of suppliers with built-in redundancy. As such, country manufacturing bans could undermine American companies' ability to compete and retain global innovation leadership. If U.S. companies are forced to procure PCBs from a limited number of higher-cost production sites, they will be less able to compete with foreign competitors that are able to source from lower-cost suppliers. Companies could also experience shortages if supply is slow to come online in the U.S. and other approved countries.

There also may be limited potential for PCB manufacturing in the United States since it is traditionally a low-margin, labor-intensive process. Low-volume producers also tend not to manufacture PCBs of the size and sophistication required for the central components of state-of-the-art microelectronic systems. These factors may limit the appetite of industry in the U.S. and other mature economies to respond to the increased demand that differentiates niche DoD products from high volume commercial manufacturing.

Thank you for your consideration of our perspective. We look forward to continuing to work with you on this critical legislation.

Sincerely,

TechNet
US Chamber of Commerce
Internet Association
Information Technology Industry Council
Computer and Communications Industry Association
Center for Procurement Advocacy
Telecommunications Industry Association
Software & Information Industry Association
Aerospace Industries Association
Semiconductor Industry Association

cc: Members of the Senate Armed Services Committee
Members of the House Armed Services Committee