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# Study Shows Growing Counterfeit Electronics Problem Poses National Security Threat

## Counterfeit chips sourced from e-waste exported to China

### Commerce Department Study

In November 2009, the U.S. Department of Commerce released a study called: **Defense Industrial Base Assessment: Counterfeit Electronics**. It was prepared by the Bureau of Industry and Security, in the Office of Technology Evaluation of the Commerce Department. <sup>1</sup>

### Key Findings of the report

**No type of company or organization has been untouched**

**"No type of company or organization has been untouched by counterfeit electronic parts.** Even the most reliable of parts sources have discovered counterfeit parts within their inventories." (Page 7)

**...counterfeit electronics have been uncovered in DOD systems, threatening to erode military readiness and mission capabilities**

"Recently, however, counterfeit electronics have been uncovered in DOD systems, **threatening to erode military readiness and mission capabilities**. In March 2008, an article in *Inside the Air Force* found that "an unknown number of counterfeit aircraft parts are being fastened into U.S. military weapon systems after infiltrating supply depots." One DOD official estimated that 'such components are leading to a **5 to 15 percent annual decrease in weapon systems reliability.**'" (Page 140)

**Counterfeit parts are "increasingly present at every level of the supply chain"**

"The proliferation of counterfeit parts is not limited to occasional, isolated incidents, but is **increasingly present at every level of the supply chain**. Nor are incidents of counterfeit components restricted to one class of suppliers, specific discrete electronic component or microcircuit product lines, or older "legacy" components." (Page 164)

**The number of counterfeit incidents: 3,868 cases in 2005 9,356 cases in 2008**

### Number of incidents is increasing

For the five survey sectors, the number of counterfeit incidents for all electronic part types climbed dramatically from 3,868 cases in 2005 to 9,356 cases in 2008 (see Figure VII-7). (Page 169-170)

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<sup>1</sup> Available online:

[http://www.bis.doc.gov/defenseindustrialbaseprograms/osies/defmarketresearchrpts/final\\_counterfeit\\_electronics\\_report.pdf](http://www.bis.doc.gov/defenseindustrialbaseprograms/osies/defmarketresearchrpts/final_counterfeit_electronics_report.pdf)