

UTC exported software used in Chinese helicopter

June 28 2012, by JOHN CHRISTOFFERSEN

(AP) — A division of United Technologies Corp. pleaded guilty on Thursday to crimes related to the illegal export of software that U.S. officials say was used by China to develop the country's first modern military attack helicopter.

The subsidiary, Pratt & Whitney Canada Corp.; Hartford-based UTC; and another subsidiary along with UTC agreed to pay more than \$75 million in fines in connection with the export violations and for providing misleading information to the U.S. government.

The U.S. attorney for Connecticut, David Fein, said Pratt & Whitney Canada knowingly committed the violations because it wanted to become the exclusive supplier for a helicopter market in China with projected revenues of up to \$2 billion.

"PWC exported controlled U.S. technology to China, knowing it would be used in the development of a military attack helicopter in violation of the U.S. arms embargo with China," Fein said.

The prosecution is one of the largest resolutions of export violations with a major defense contractor in the Justice Department's history, Fein said at a news conference after the court hearing. Authorities said the case sends a clear message that willful violators of U.S. arms control export regulations will be punished.

"As today's case demonstrates, the Justice Department will spare no

effort to hold accountable those who compromise U.S. national security for the sake of profits and then lie about it to the government," Assistant Attorney General Lisa Monaco said.

UTC said it has taken substantial action to ensure the violations won't happen again.

"Export controls are an integral part of safeguarding U.S. national security and foreign policy interests," UTC Chairman and Chief Executive Officer Louis Chenevert said in a statement. "As a supplier of controlled products and technologies to the Department of Defense and other domestic and international customers, we are committed to conducting business in full compliance with all export laws and regulations. We accept responsibility for these past violations and we deeply regret they occurred."

The United States has barred the export of defense articles to China since 1989.

Beginning in the 1990s, China sought to develop its attack helicopter under the guise of a civilian program to secure Western assistance, according to U.S. authorities. Pratt & Whitney Canada delivered development engines to China for what become the Z-10, China's first military attack helicopter, in 2001 and 2002 after determining on its own that the engines did not require an export license because they were identical to engines already supplied to China for a commercial helicopter, officials said.

U.S. authorities say the electronic engine control software, however, required a U.S. export license because it was modified for a military helicopter application. Authorities say the Canadian subsidiary had six versions of the military software, made by UTC subsidiary Hamilton Sundstrand, sent to China in 2002 and 2003.

Pratt & Whitney Canada pleaded guilty to violating the Arms Export Control Act and making false statements in connection with the illegal export of software.

The fine to be paid by UTC, Pratt & Whitney Canada and Hamilton Sundstrand is part of a settlement with the U.S. Justice Department and the U.S. State Department. As much as \$20 million can be suspended if UTC applies to remedial compliance efforts.

UTC also was charged with making false statements to the government related to belated disclosures of the illegal exports, but authorities agreed not to prosecute that charge provided the company complies with an agreement that includes an independent monitor who will assess the company's compliance with export laws for the next two years.

United Technologies also settled 576 civil charges with the State Department, including more than 800 exports in violation of the Arms Export Control Act from the mid-1990s to last year, officials said.

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