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U.S. Panel Finds No National-Security Concerns With Chinese Plane Deal

American shareholders in Icon Aircraft had alleged improper tech transfer to China and urged U.S. investment-screening panel Cfius to intervene



Recreational airplanes at the Icon Aircraft manufacturing facility in Tijuana, Mexico.

PHOTO: ALEJANDRO CEGARRA/BLOOMBERG NEWS

By *Kate O’Keeffe* [Follow](#)

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A U.S. investment-screening panel has concluded its review of a Chinese firm’s nearly 47% stake in a U.S. aircraft startup, determining there are “no unresolved national security concerns” with the deal, according to a letter reviewed by The Wall Street Journal.

The decision by the Committee on Foreign Investment in the U.S., an interagency panel that can recommend the president block or unwind deals on national-security grounds, marks the end of one part of a bitter saga involving feuding American and Chinese investors in Icon Aircraft Inc., a California-based maker of recreational amphibious planes. The outcome is also notable given how carefully Cfius has been scrutinizing Chinese investment in U.S. technology in recent years.

A group of American shareholders, including Icon co-founder Kirk Hawkins, has accused the Chinese investor, Shanghai Pudong Science and Technology Investment Co., or PDSTI, of hollowing out Icon and moving technology with possible military applications to China. PDSTI, which is backed by the Chinese government, has said its investments, begun in 2015, saved Icon from collapse and that licensing Icon's technology to a Chinese company will bring in needed capital.

Icon, whose board is controlled by PDSTI, has said its aircraft don't have military applications, adding that they only have the capacity to carry a little over 400 pounds and that they cannot safely operate in water with a wave height higher than 12 inches.

Cfius began its review of PDSTI's investment in late November after the group of American shareholders urged it to intervene, the Journal has reported.

"Based upon its review and investigation, and after full consideration of all relevant national security factors...Cfius has determined that there are no unresolved national security concerns," the letter said, adding that action with respect to the deal "is concluded."

The letter, dated Monday, was sent by the Treasury Department, which leads the Cfius panel, to a lawyer for the Chinese investors. A person close to the Chinese investors said the panel didn't require them to sign on to any mitigation agreement to resolve national-security issues.

An Icon spokesman said: "We're pleased to confirm that after a monthslong, thorough, and comprehensive investigation, Cfius has cleared PDSTI's investment in ICON Aircraft. ICON will now be able to focus even more on doing what we do best—manufacturing and selling the incredible ICON A5 amphibious Light Sport Aircraft."

The Treasury Department declined to comment. Mr. Hawkins and a lawyer for the American shareholders didn't immediately respond to requests for comment on this article.

"The most interesting thing to me is that, in this climate, getting anything through Cfius with a China angle is a challenge. If there's a meaningful element of sensitive technology that is credible, then it's very unlikely to get through Cfius without mitigation," said John Kabealo, founder of Washington, D.C., firm Kabealo Law, which wasn't involved in the Icon case.

“It sounds like the Americans overplayed their hand. This may be a signal from Cfius that they don’t want to do the dirty work for a disgruntled investor,” said Mr. Kabealo, whose firm specializes in Cfius work.

Icon earlier alleged that Mr. Hawkins has been motivated by self-interest, not national security. The company released to the Journal what it said was a strategy document emailed by Mr. Hawkins in March 2020 outlining a plan to threaten to take the case to Cfius if PDSTI didn’t buy him out of Icon.

Asked about that, Mr. Hawkins said PDSTI had offered him and other minority shareholders a buyout if they helped support a Cfius approval. They declined, he said, and decided to “contact Cfius to ask for help.”

A related lawsuit filed by the American shareholders against PDSTI seeking to stop its alleged expropriation of Icon’s technology is ongoing. PDSTI has said the claims in the lawsuit, filed in Delaware in June, are meritless.

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