

**COMMITTEE ON
FOREIGN INVESTMENT IN
THE UNITED STATES
ANNUAL REPORT
TO CONGRESS**

November 2009

PUBLIC/UNCLASSIFIED VERSION

CFIUS ANNUAL REPORT TO CONGRESS

November 2009

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SECTION I: REPORT ON COVERED TRANSACTIONS

Introduction

This section of the Committee on Foreign Investment in the United States (CFIUS) Annual Report to Congress has been prepared in accordance with section 721(m) of the Defense Production Act of 1950 (50 U.S.C. App. 2170(m)(2)), as amended by the Foreign Investment and National Security Act of 2007, or “FINSA” (Pub. L. No. 110-49). Section 721(m)(2) requires the annual report on covered transactions to provide:

“(A) A list of all notices filed and all reviews or investigations completed during the period, with basic information on each party to the transaction, the nature of the business activities or products of all pertinent persons, along with information about any withdrawal from the process, and any decision or action by the President under this section.

“(B) Specific, cumulative, and, as appropriate, trend information on the numbers of filings¹, investigations, withdrawals, and decisions or actions by the President under this section.

“(C) Cumulative and, as appropriate, trend information on the business sectors involved in the filings which have been made, and the countries from which the investments have originated.

“(D) Information on whether companies that withdrew notices to the Committee in accordance with subsection (b)(1)(C)(ii) have later refiled such notices, or, alternatively, abandoned the transaction.

“(E) The types of security arrangements and conditions the Committee has used to mitigate national security concerns about a transaction, including a discussion of the methods that the Committee and any lead agency are using to determine compliance with such arrangements or conditions.

“(F) A detailed discussion of all perceived adverse effects of covered transactions on the national security or critical infrastructure of the United States that the Committee will take into account in its deliberations during the period before delivery of the next report, to the extent possible.”

The Annual Report was provided to Congress in a classified version on September 3, 2009. This public version contains no information on specific transactions notified to CFIUS due to the prohibition in Section 721(c) (50 U.S.C. App. 2170(c)) against public disclosure of such information.

¹ For purposes of this report, “filings” means notices filed under section 721.

A. Information on 2008 Covered Transactions

The classified version of this report contains a table listing all 155 notices of transactions that were filed with CFIUS in 2008 and that CFIUS determined to be covered transactions under section 721. That table sets forth information on the acquirer and the U.S. business acquired, including the nature of their business activities or products, and details on any withdrawal. While that table is not included here because of the above-noted disclosure prohibition, provided below is aggregate information regarding those 155 notices:

- CFIUS conducted both a review and an investigation with respect to 23 of the 155 notices.
- 23 of the notices were withdrawn. In 20 of these cases, the parties filed a new notice. In the other 3 cases, the parties abandoned their transaction.
- The President did not take action to block or prohibit any transactions in 2008.

B. Specific, Cumulative, and Trend Data on Covered Transactions, Withdrawals, and Investigations

In the years 2006 through 2008, companies filed 404 notices of transactions that CFIUS determined to be covered transactions under section 721. Roughly 10 percent of such notices (42 cases) were withdrawn during the review stage, 4 percent (15 cases) were withdrawn during the investigation stage, 9 percent (36 cases) resulted in an investigation, and less than 1 percent (2 cases) resulted in a Presidential decision.

There was a modest upward trend over the last three years in the number of notices. As shown below in Table B-1, the number of notices of covered transactions increased from 111 in 2006, to 138 in 2007, and to 155 in 2008. The percentage of notices that were withdrawn from review, or resulted in investigations, rose in 2008 compared to the previous two-year period. The percentage of notices withdrawn during an investigation fell slightly. In the 2006-2007 period, 10 percent of the notices of covered transactions (24 cases) were withdrawn during the review stage, 4 percent were withdrawn in the investigation stage (10 cases), and five percent (13 cases) resulted in investigations. In 2008, 12 percent of the notices of covered transactions (18 cases) were withdrawn during the review stage, 3 percent were withdrawn during the investigation stage (5 case), and 15 percent (23 cases) resulted in investigations.

In 2006, there were two Presidential decisions. In each of those cases the President decided not to suspend or prohibit the transaction in light of agreements between the companies concerned and one or more CFIUS member agencies that mitigated U.S. Government (USG) concerns. There were no Presidential decisions in 2007 or 2008.

Covered Transactions, Withdrawals, and Presidential Decisions 2006 - 2008					
Year	Number of Notices	Notices Withdrawn During Review	Number of Investigations	Notices Withdrawn During Investigation	Presidential Decisions
2006	111	14	7	5	2
2007	138	10	6	5	0
2008	155	18	23	5	0
Total	404	42	36	15	2

Table B-1: Covered Transactions, Withdrawals, and Presidential Decisions 2006-2008

C. Covered Transactions by Business Sector and Country

C.1 Covered Transactions by Business Sectors of U.S. Companies: 2006-2008

The notices of covered transactions filed with CFIUS during the 2006-2008 period involved several industrial sectors and a wide range of subsectors. Almost half of such notices were in the manufacturing sector (183, or 45 percent), while almost one third of the notices were in the information sector (133, or 33 percent).

The tables and charts below give a breakdown by sector and by year of the 404 notices of covered transactions cumulatively filed with CFIUS for 2006 through 2008. The table and figure below shows that manufacturing and information were the most active industrial sectors in terms of notices filed each year from 2006 through 2008.

Covered Transaction by Sector and Year, 2006-2008						
Year	Manufacturing	Information	Mining, Utilities and Construction	Wholesale Trade	Other	Total
2006	51 (46%)	33 (30%)	16 (14%)	10 (9%)	1 (<1%)	111
2007	60 (43%)	58(42%)	11 (8%)	9 (7%)		138
2008	72 (47%)	42 (27%)	25 (16%)	16 (10%)		155
Total	183 (45%)	133 (33%)	52 (13%)	35 (9%)	1 (<1%)	404

Table C-1: Covered Transactions by Sector and Year, 2006-2008

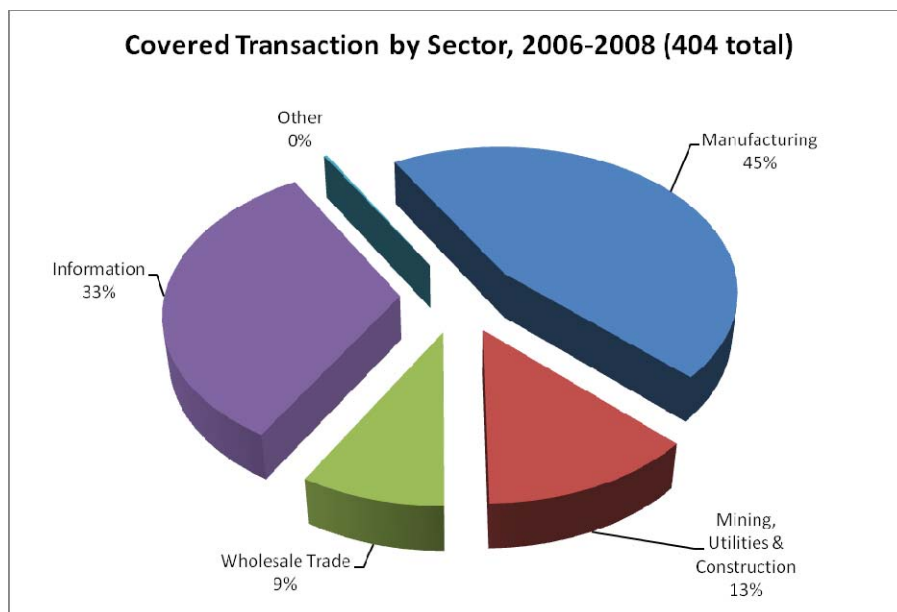


Figure C-1: Covered Transactions by Sector 2006-2008

Manufacturing accounted for 45 percent of the notices filed with CFIUS from 2006 through 2008. The computer and electronic products subsector comprised 37 percent of the 183 manufacturing sector notices during the period. The transportation equipment subsector accounted for another 17 percent of the notices in the sector.

Manufacturing	NAICS Code	Number of Transactions	% of Total Manufacturing
Textile Product Mills	314	2	1%
Petroleum and Coal Products	324	6	3%
Chemical	325	12	7%
Plastics and Rubber Products	326	4	2%
Nonmetallic Mineral Product	327	5	3%
Primary Metal	331	13	7%
Fabricated Metal Product	332	7	4%
Machinery	333	22	12%
Computer and Electronic Product	334	68	37%
Electrical Equipment, Appliances, & Components	335	6	3%
Transportation Equipment	336	31	17%
Miscellaneous	339	7	4%

Table C-2: Covered Transactions from the Manufacturing Sector

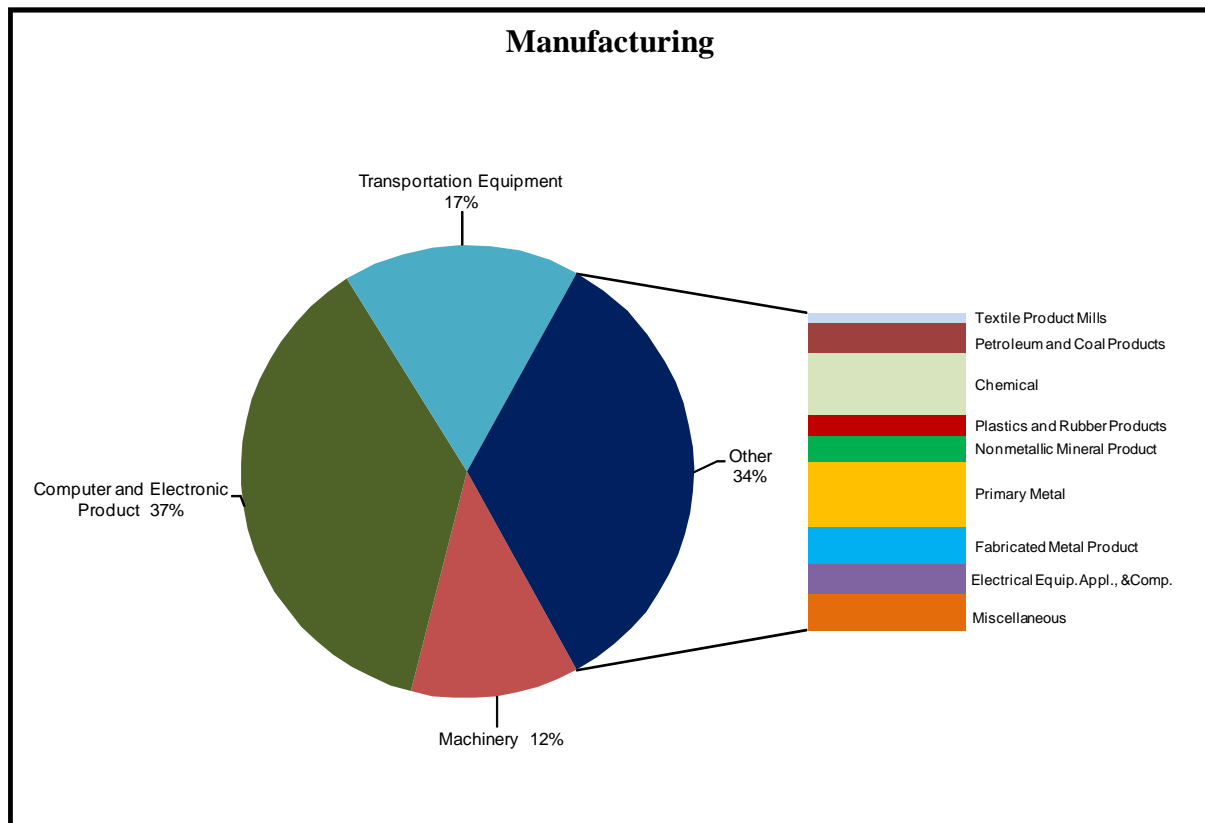


Figure C-2: Covered Transactions from the Manufacturing Sector

Semiconductor and other electronic component manufacturing accounted for 32 percent of the 68 notices in the computer and electronic products subsector from 2006 through 2008. Navigational, measuring, electromedical, and control instruments manufacturing accounted for an additional 32 percent of the notices in this subsector.

Computer and Electronic Products	NAICS Code	Number of Transactions	% of Total Computer and Electronic Products
Computer and Peripheral Equipment Manufacturing	3341	9	13%
Communications Equipment Manufacturing	3342	15	22%
Semiconductor and Other Electronic Component Manufacturing	3344	22	32%
Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	3345	22	32%

Table C-3: Covered Transactions from the Computer and Electronics Subsector

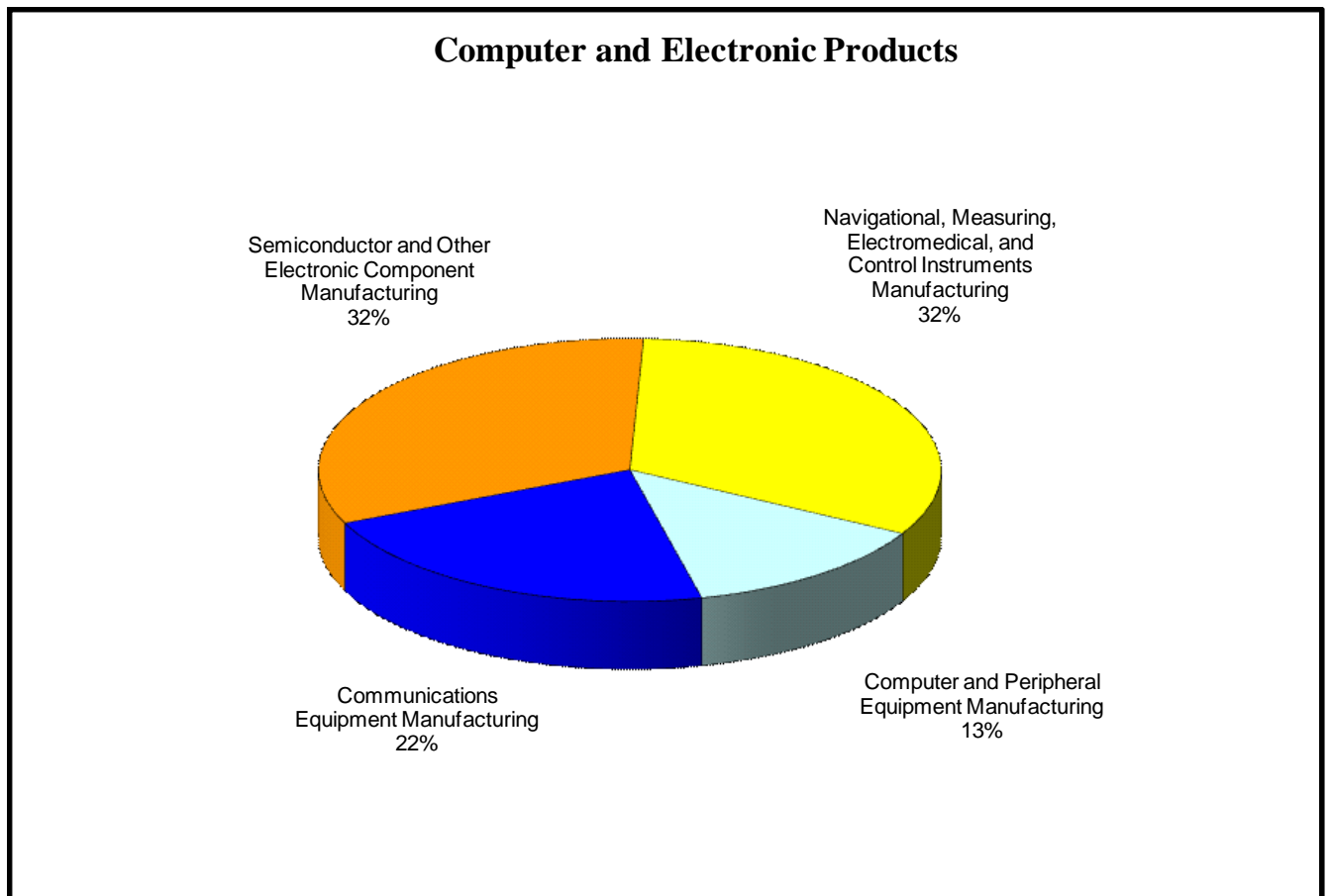


Figure C-3: Covered Transactions from the Computer and Electronics Subsector

The information sector accounted for 33 percent of all notices of covered transactions filed with CFIUS from 2006 through 2008. The professional, scientific, and technical services subsector accounted for nearly half of the information sector notices during the period. The publishing industries (except Internet) subsector accounted for another 23 percent of information sector notices.

Information	NAICS Code	Number of Transactions	% of Total Information
Publishing Industries (except Internet)	511	30	23%
Telecommunications	517	22	17%
Data Processing, Hosting, and Other Related Services	518	1	1%
Other Information Services	519	3	2%
Securities and Other Financial Investments	523	3	2%
Funds, Trusts, and Other Financial Vehicles	525	1	1%
Professional, Scientific, and Technical Services	541	67	49%
Administrative and Support Services	561	5	4%
Waste Management and Remediation Services	561	1	1%

Table C-4: Covered Transactions from the Information Sector

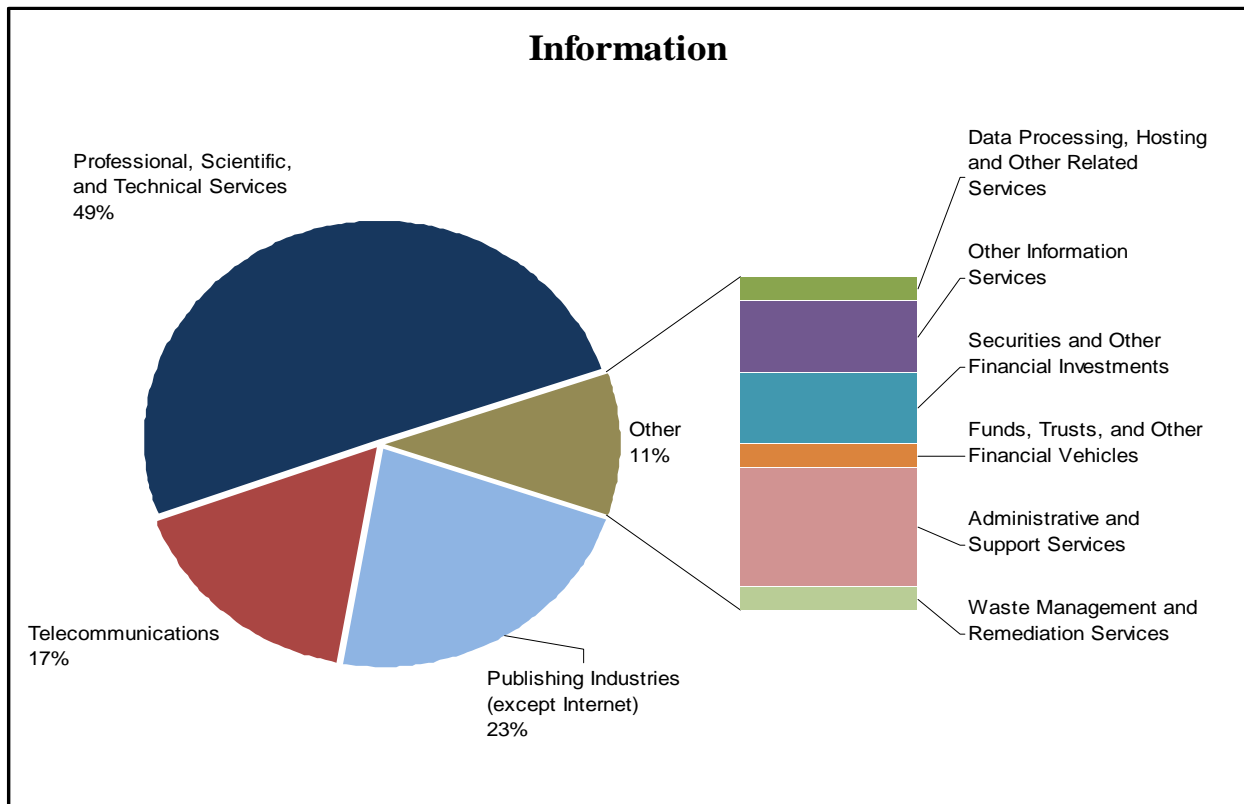


Figure C-4: Covered Transactions from the Information Sector

Within the professional, scientific, and technical services subsector, computer systems design and related services accounted for 39 percent of the subsector's 65 notices, while architectural, engineering, and related services accounted for 36 percent of the notices.

Professional, Scientific, and Technical Services	NAICS Code	Number of Transactions	% of Total P-S-T Services
Architectural, Engineering, and Related Services	5413	24	36%
Computer Systems Design and Related Services	5415	26	39%
Management, Scientific, and Technical Consulting Services	5416	10	15%
Scientific Research and Development Services	5417	6	9%
Other Professional, Scientific, and Technical Services	5419	1	1%

Table C-5: Covered Transactions from the Professional, Scientific, and Technical Services Subsector

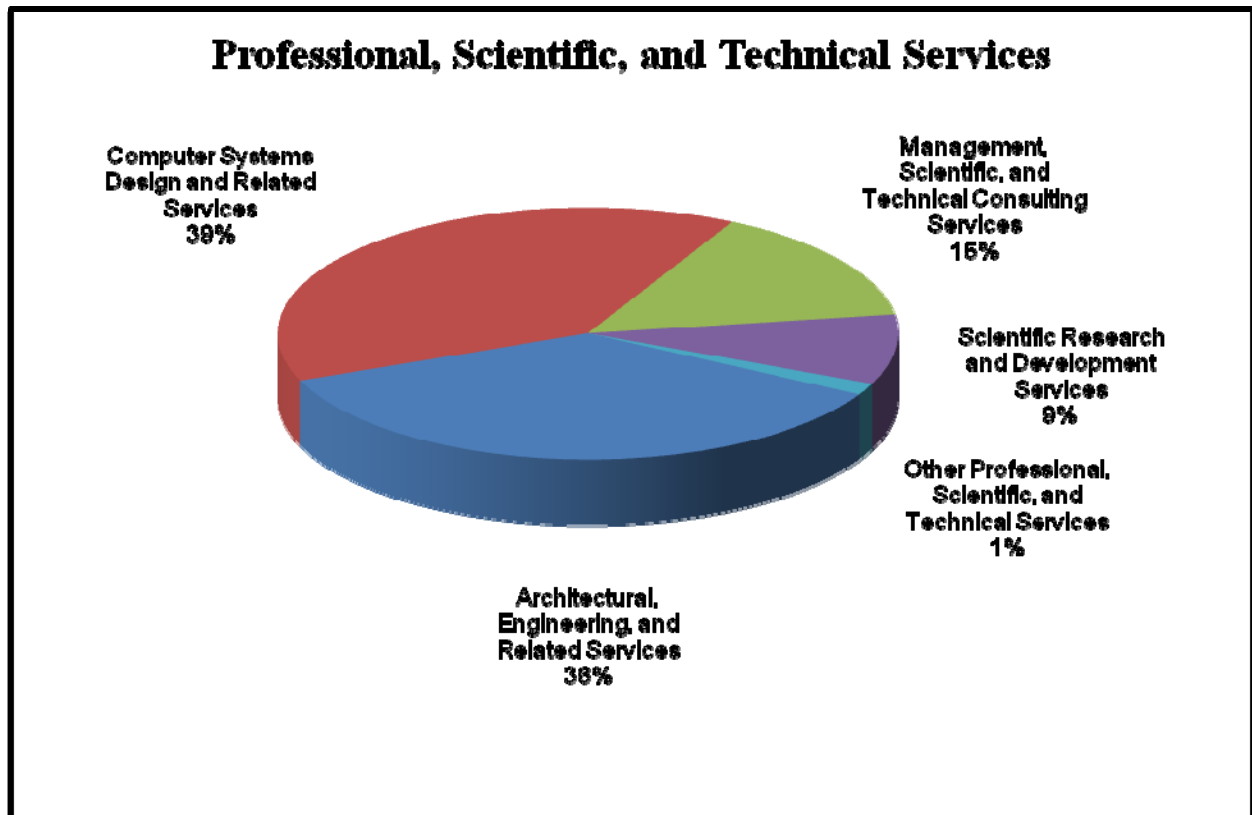


Figure C-5: Covered Transactions from the Professional, Scientific, and Technical Services Subsector

The mining, utilities, and construction sector accounted for 13 percent of the notices of covered transactions filed with CFIUS from 2006 through 2008. In this sector, the largest percentage of activity involved the utilities–electric power generation subsector, which accounted for 52 percent of the notices in this sector.

Mining, Utilities, and Construction	NAICS Code	Number of Transactions	% of Total M-U-C
Oil and Gas Extraction	211	4	8%
Mining (except Oil and Gas)	212	9	17%
Support Activities for Mining	213	6	12%
Utilities - Electric Power Generation, Transmission, and Distribution	221	27	52%
Construction of Buildings	236	4	8%
Heavy and Civil Engineering Construction	237	1	2%
Specialty Trade Contractor	238	1	2%

Table C-6: Covered Transactions from the Mining, Utilities, and Construction Sector

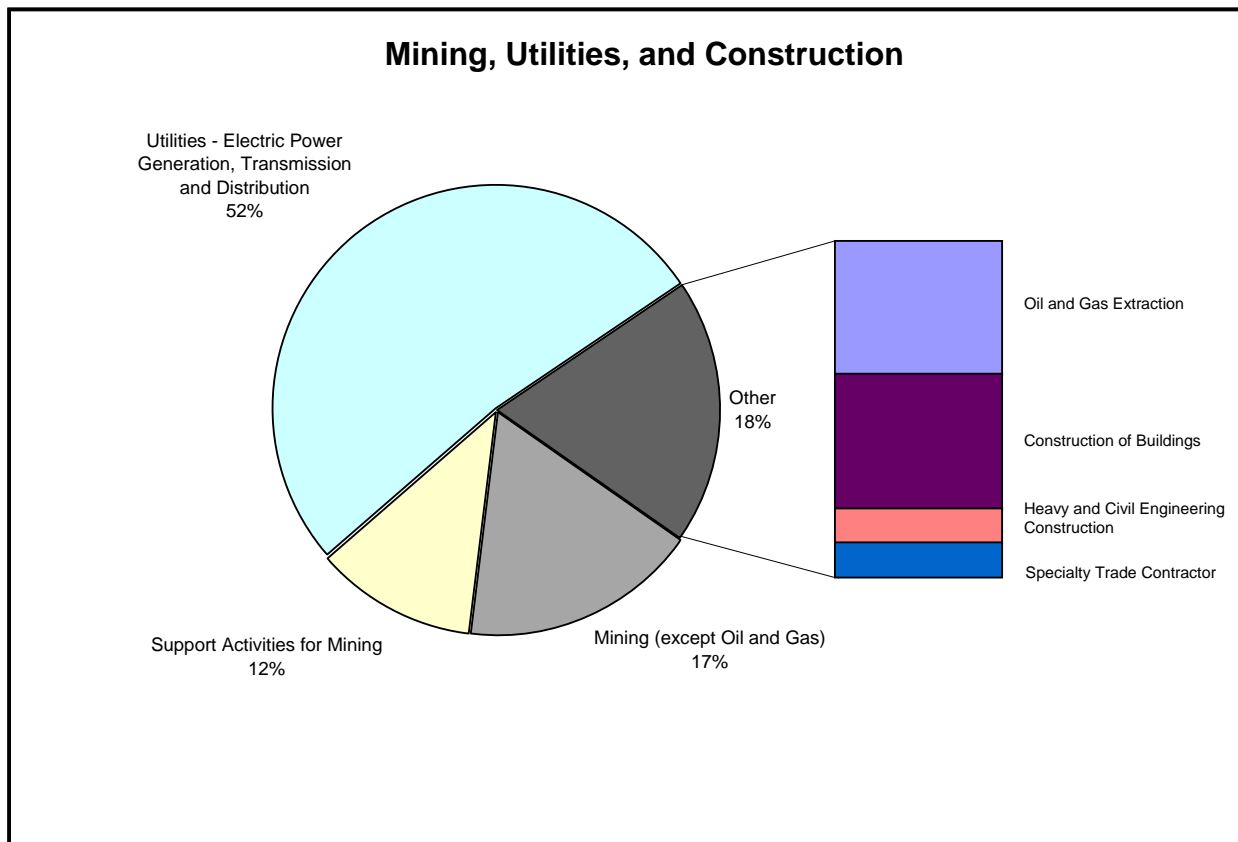


Figure C-6: Covered Transactions from the Mining, Utilities, and Construction Sector

Utilities - Electric Power Generation, Transmission and Distribution	NAICS Code	Number of Transactions
Electric Power Generation, Transmission and Distribution	2211	25
Natural Gas Distribution	2212	2

Table C-7: Covered Transactions from the Utilities Subsector

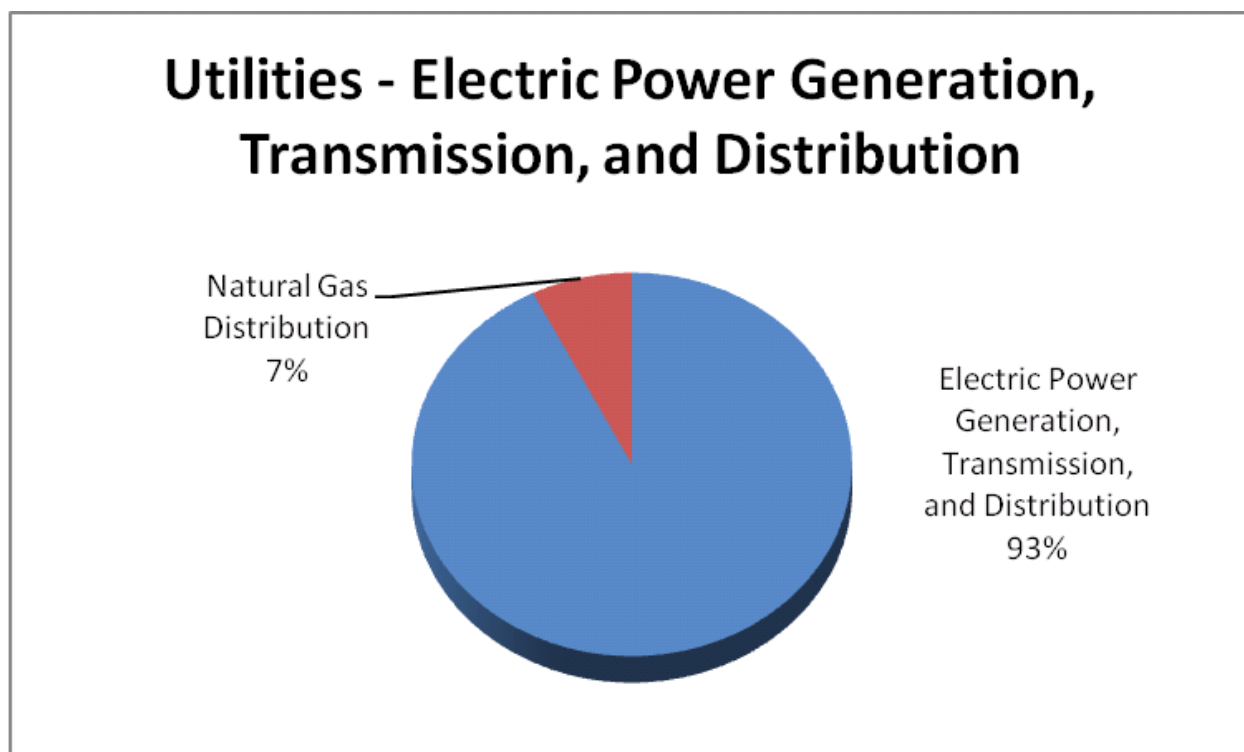


Figure C-7: Covered Transactions from the Utilities Subsector

Wholesale trade accounted for nine percent of the notices of covered transactions filed with CFIUS from 2006 through 2008. Support activities for transportation accounted for 54 percent of the 36 wholesale trade sector notices during the period. Merchant wholesalers, durable goods accounted for another 17 percent of the sector.

Wholesale Trade	NAICS Code	Number of Transactions	% of Total Wholesale Trade
Merchant Wholesalers, Durable Goods	423	6	17%
Merchant Wholesalers, Nondurable Goods	424	2	6%
Electronics and Appliance Stores	443	1	3%
Water Transportation	483	2	6%
Truck Transportation	484	1	3%
Transit and Ground Passenger Transportation	485	2	6%
Support Activities for Transportation	488	19	54%
Couriers and Messengers	492	1	3%
Warehouse and Storage	493	1	3%

Table C-8: Covered Transactions from the Wholesale Trade Sector

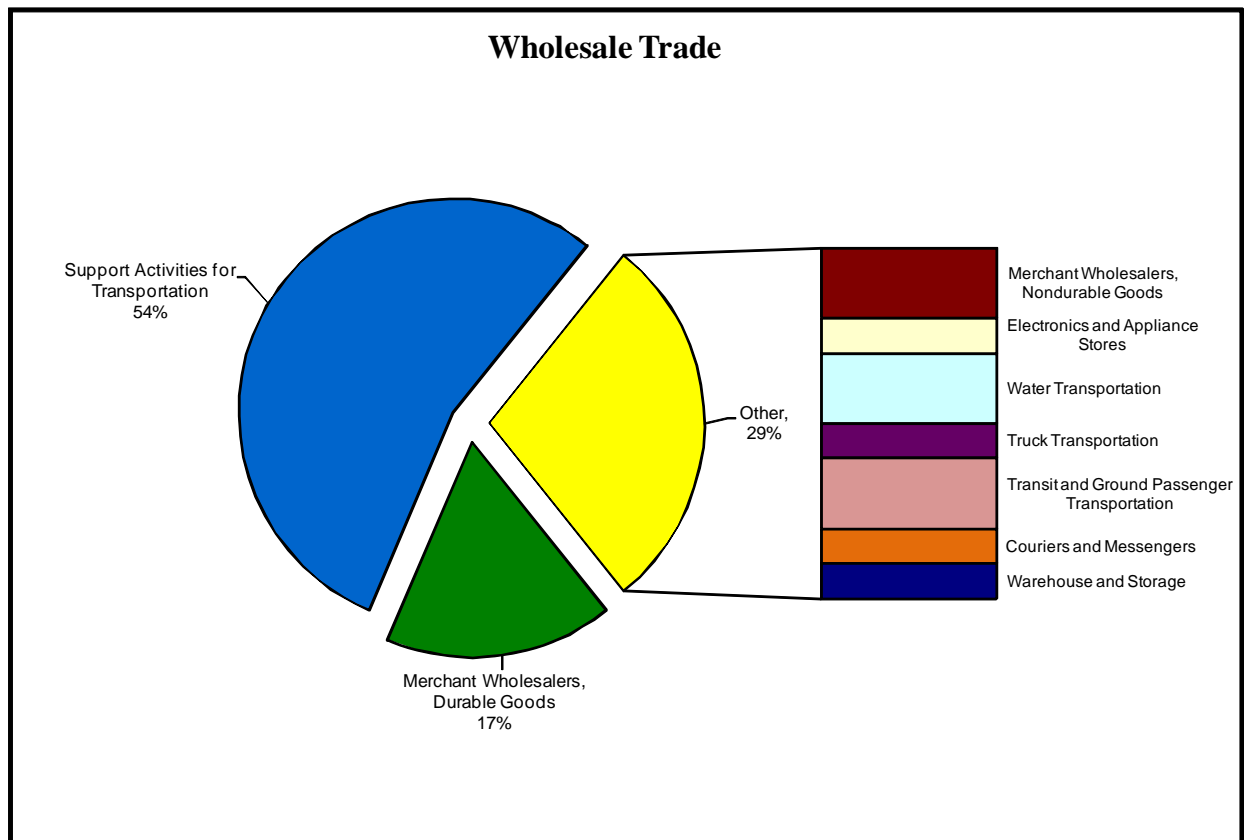


Figure C-8: Covered Transactions from the Wholesale Trade Sector

Support Activities for Transportation	NAICS Code	Number of Transactions
Support Activities for Air Transportation	4881	8
Support Activities for Water Transportation	4883	9
Freight Transportation Arrangement	4885	2

Table C-9: Covered Transactions from the Support Activities for Transportation Subsector

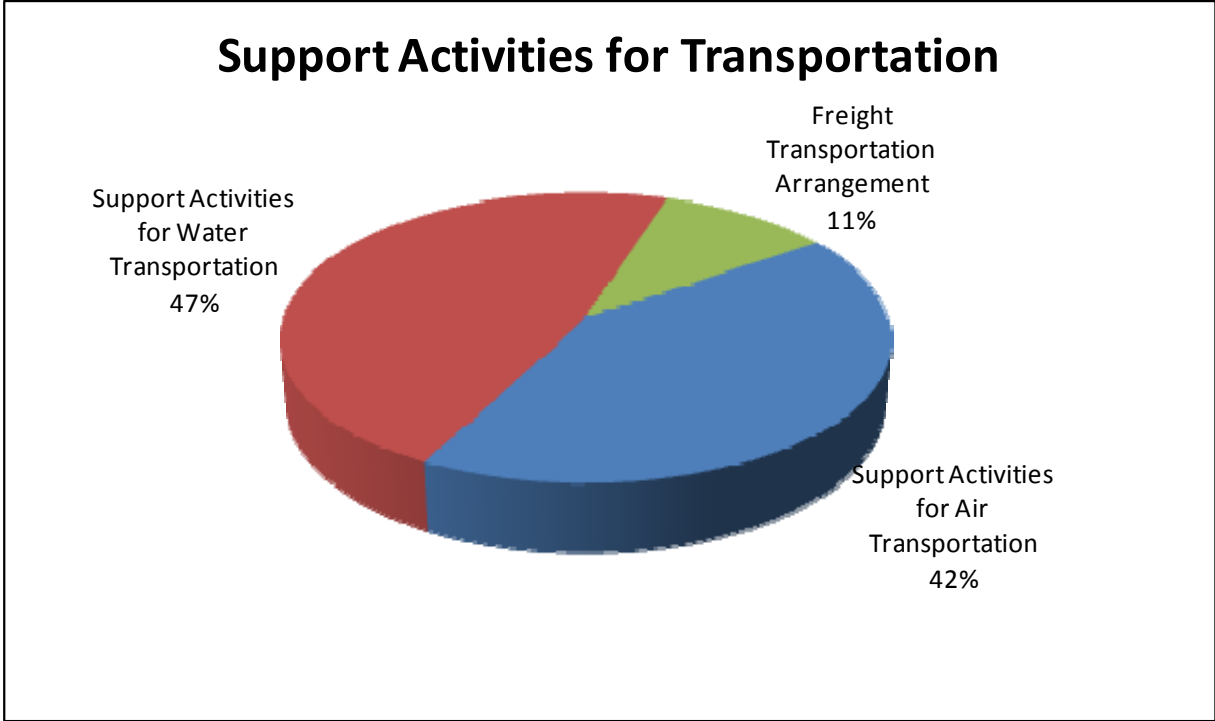


Figure C-9: Covered Transactions from the Support Activities for Transportation Subsector

C.2 Covered Transactions by Country: 2006-2008

The first table below breaks down the notices of covered transactions from 2006 through 2008 by country and year.² There is no clear trend in the breakdown of transactions by year. Acquisitions by investors from the United Kingdom accounted for 26 percent of notices for the three-year period (106 notices) and for the largest number of notices each year. Canada, France, Israel, and Australia together accounted for an additional 29 percent of the total notices over the period (117 notices) and were among the leading countries each year.

The second table below shows that there is no clear tendency of companies in any one country to prefer transactions in a specific industry sector. Acquisitions by investors from countries that accounted for multiple notices typically also involved multiple sectors.

² The figures in tables C-10 and C-11 reflect the number of notices filed with CFIUS and are not adjusted to account for the fact that some transactions were the subject of more than one notice, where the original notice was withdrawn and then refiled, as discussed in Section I.D of this report.

Covered Transactions by Acquirers' Home Country, 2006-2008				
Country	2006	2007	2008	Total, 2006-08
Australia	7	9	11	27
Australia & United Kingdom			1	1
Austria		1	2	3
Bahrain		1		1
Belgium	2	1	1	4
Bermuda	1			1
Brazil	4	1	2	7
Canada	8	21	6	35
Canada & Singapore			1	1
China		3	6	9
Finland	3	1		4
France	9	7	12	28
Germany	4	6	3	13
Greece			1	1
Hong Kong	1	1	1	3
Hungary			1	1
Iceland			1	1
India		5	1	6
Ireland	1	1	2	4
Israel	9	6	12	27
Italy	3	3	5	11
Japan	6	1	8	15
Korea	1		2	3
Kuwait	2	2		4
Lebanon			4	4
Luxembourg	1		1	2
Malaysia		1		1
Mexico	2			2
Netherlands	4	7	2	13
Norway	1	1	2	4
Pakistan	2			2
Qatar	1	1		2
Russia	2		8	10
Saudi Arabia	1	1	1	3
Singapore	3	1	1	5
South Africa		1		1
Spain	2	6	1	9
Sweden	1			1
Switzerland	1	6	4	11
Taiwan		3		3
UAE	2	7	2	11
Ukraine			2	2
United Kingdom	25	33	48	106
Venezuela & Spain	2			2
Grand Total	111	138	155	404

Table C-10: Covered Transactions by Country 2006-2008

Covered Transactions by Acquiring Country and Target's Sector, 2006-2008						
Country	Manu- facturing	Mining, Utilities & Construction	Wholesale Trade	Infor- mation	Educational Services	Total
Australia	2	8	7	10		27
Australia & United Kingdom		1				1
Austria	3					3
Bahrain	1					1
Belgium	4					4
Bermuda	1					1
Brazil	5	2				7
Canada	7	8	1	19		35
Canada & Singapore		1				1
China	5		1	3		9
Finland				4		4
France	14	3	5	6		28
Germany	4	2	2	5		13
Greece		1				1
Hong Kong	3					3
Hungary	1					1
Iceland			1			1
India				6		6
Ireland	1	1		2		4
Israel	19			8		27
Italy	10		1			11
Japan	5	3	1	6		15
Korea		2	1			3
Kuwait	1		2	1		4
Lebanon			4			4
Luxembourg				2		2
Malaysia	1					1
Mexico				2		2
Netherlands	9		2	2		13
Norway	3			1		4
Pakistan	2					2
Qatar		2				2
Russian Federation	8	1		1		10
Saudi Arabia	2				1	3
Singapore	2			3		5
South Africa				1		1
Spain		7		2		9
Sweden				1		1
Switzerland	6			5		11
Taiwan	3					3
UAE	6	1	2	2		11
Ukraine		2				2
United Kingdom	53	7	5	41		106
Venezuela & Spain	2					2
Grand Total	183	52	35	133	1	404

Table C-11: Covered Transactions by Country and Sector

D. Withdrawn Notices

Parties cannot withdraw an accepted notice of a transaction unless the Committee approves a written request for withdrawal from the parties. Parties may seek to withdraw notices for a number of reasons. For example, in some cases, parties are unable to address all of the Committee's outstanding national security concerns within the initial 30-day review period. The parties might then choose to submit a request for withdrawal, either to provide additional time to answer remaining questions or to resolve remaining national security concerns. In other cases, the parties may withdraw a notice because they are abandoning the transaction or because a material change in the terms of the transaction warrants the filing of a new notice. When appropriate, the Committee has established measures to track the status of a withdrawn transaction or interim protections to address specific national security concerns identified during the review or investigation of the transaction.

In 2008, 23 total notices were withdrawn. The parties withdrew 18 notices during the 30-day review period and 5 during the 45-day investigation period. 5 of the notices withdrawn relate to the same covered transaction, because they were withdrawn again after being refiled. Therefore, the parties withdrew notices concerning only 18 covered transactions. The parties abandoned 3 of these transactions and CFIUS concluded action on the other 15 transactions.

E. Mitigation Measures

The Committee has adopted procedures to evaluate and ensure that parties to a covered transaction remain in compliance with any risk mitigation measure entered into with CFIUS agencies under section 721, whether that measure is a mitigation agreement or other condition. For all mitigation measures signed since FINSA became effective, Treasury, as Chair of CFIUS, designates each USG signatory to a mitigation measure as a lead agency for monitoring compliance with that mitigation measure. Lead agencies carry out their monitoring responsibilities on behalf of the Committee and report back to the Committee on at least a quarterly basis. In addition, signatories to mitigation measures that were entered into before FINSA's effective date report to CFIUS quarterly on compliance with those measures. As described below, all lead agencies for monitoring mitigation compliance have implemented processes to carry out their responsibilities.

From 1997, when CFIUS first negotiated a mitigation measure in the context of a transaction notified under section 721, through 2008, CFIUS agencies entered into a total of 51 mitigation agreements with private parties.³ Mitigation measures have included a number of different types of legally binding undertakings. These range from national security agreements (NSAs), which are contracts that seek to address a number of perceived risks, to letters of assurance, which are simpler documents appropriate for less complex cases or where the incremental risks posed by the transaction are relatively few and easier to mitigate.

In 2008, CFIUS agencies negotiated, and parties entered into, two mitigation agreements related to two different covered transactions.⁴ Both mitigation measures were entered into after issuance of the President's January 23, 2008, Executive Order concerning CFIUS, which established the conditions under which CFIUS agencies may seek mitigation measures with respect to notified transactions.

The USG agencies that are parties to these and earlier agreements use a variety of means to monitor and enforce compliance by the companies that are parties, including:

- periodic reporting to USG agencies by the companies;
- on-site compliance reviews by USG agencies;
- third-party audits when provided for by the terms of the mitigation agreement; and
- investigations and remedial actions if anomalies or breaches are discovered.

In light of the number and complexity of mitigation agreements implemented to date, CFIUS agencies have taken a variety of actions to maximize their ability to monitor compliance, including:

³ The 52 agreements cited in the previous CFIUS annual report mistakenly included three agreements negotiated under authorities other than section 721.

⁴ In comparison, CFIUS agencies and the private parties in covered transactions signed 14 mitigation agreements in 2007 and 15 agreements in 2006.

- increasing USG staffing levels and assigning staff responsibilities for monitoring compliance;
- designing tracking systems to monitor required reports; and
- instituting internal instructions and procedures to ensure that in-house expertise is drawn upon to analyze compliance with agreements.

F. Perceived Adverse Effects of Covered Transactions

Section 721(m) requires that this report include a discussion of all perceived adverse effects of covered transactions on the national security or critical infrastructure of the United States that the Committee will take into account in its deliberations during the period before delivery of the next report, to the extent possible. In reviewing a covered transaction, CFIUS evaluates all relevant national security considerations identified by its members during the review and does not conclude action on a covered transaction unless or until there are no unresolved national security concerns.

As discussed in the Guidance Concerning the National Security Review Conducted by CFIUS, which CFIUS published in the *Federal Register* on December 8, 2008, the transactions that CFIUS has reviewed present a broad range of national security considerations. CFIUS examines the national security considerations to determine whether, in light of the specific facts and circumstances related to the transaction, the transaction would adversely affect national security and pose a national security risk. These transactions, which have presented a wide range of national security considerations, have involved, for example:

- Foreign control of U.S. businesses that:
 - Provide products and services to agencies of the U.S. Government and state and local authorities that have functions that are relevant to national security.
 - Provide products or services that could expose national security vulnerabilities or create vulnerability to sabotage or espionage.
 - Have operations, or produce or supply products or services, the security of which may have implications for U.S. national security, such as businesses that involve infrastructure that may constitute critical infrastructure, businesses in the energy sector, businesses that affect the national transportation system, and businesses that could significantly and directly affect the U.S. financial system.
 - Have access to classified information.
 - Are in the defense, security, and national security-related law enforcement sectors.
 - Are involved in activities related to weapons and munitions manufacturing, aerospace, and radar systems.
 - Produce certain types of advanced technologies that may be useful in defending, or in seeking to impair, U.S. national security, which may include businesses engaged in the design and production of semiconductors and other equipment or components that have both commercial and military applications or the design, production, or provision of goods and services involving network and data security.
 - Engage in the research and development, production, or sale of technology, goods, software, or services that are subject to U.S. export controls.

- Acquisition of control by foreign persons that:
 - Are controlled by a foreign government.

- Are from a country with a record on nonproliferation and other national security-related matters that raises concerns.
- Have track records of taking or intentions to take actions that could impair U.S. national security.

CFIUS reviews these national security considerations and the particular facts and circumstances of transactions to determine whether the transaction will pose national security risk. In doing so, CFIUS is concerned with potential adverse effects posed by the transaction, with respect to the following factors, listed in section 721(f) of the Defense Production Act of 1950:

- (1) domestic production needed for projected national defense requirements;
- (2) the capability and capacity of domestic industries to meet national defense requirements, including the availability of human resources, products, technology, materials, and other supplies and services;
- (3) the control of domestic industries and commercial activity by foreign citizens as it affects the capability and capacity of the United States to meet the requirements of national security;
- (4) the potential effects of the proposed or pending transaction on sales of military goods, equipment, or technology to any country -
 - (A) identified by the Secretary of State -
 - (i) under section 6(j) of the Export Administration Act of 1979, as a country that supports terrorism;
 - (ii) under section 6(l) of the Export Administration Act of 1979, as a country of concern regarding missile proliferation; or
 - (iii) under section 6(m) of the Export Administration Act of 1979, as a country of concern regarding the proliferation of chemical and biological weapons; or
 - (B) identified by the Secretary of Defense as posing a potential regional military threat to the interests of the United States; or
 - (C) listed under section 309(c) of the Nuclear Non-Proliferation Act of 1978 on the "Nuclear Non-Proliferation-Special Country List" (15 C.F.R. Part 778, Supplement No. 4) or any successor list;
- (5) the potential effects of the proposed or pending transaction on United States international technological leadership in areas affecting United States national security;
- (6) the potential national security-related effects on United States critical infrastructure, including major energy assets;
- (7) the potential national security-related effects on United States critical technologies;
- (8) whether the covered transaction is a foreign government-controlled transaction, as determined under subsection (b)(1)(B);
- (9) as appropriate, and particularly with respect to transactions requiring an investigation under subsection (b)(1)(B), a review of the current assessment of—
 - (A) the adherence of the subject country to nonproliferation control regimes, including treaties and multilateral supply guidelines, which shall draw on, but not be limited to, the annual report on 'Adherence to and Compliance with Arms

- Control, Nonproliferation and Disarmament Agreements and Commitments' required by section 403 of the Arms Control and Disarmament Act;
- (B) the relationship of such country with the United States, specifically on its record on cooperating in counter-terrorism efforts, which shall draw on, but not be limited to, the report of the President to Congress under section 7120 of the Intelligence Reform and Terrorism Prevention Act of 2004; and
- (C) the potential for transshipment or diversion of technologies with military applications, including an analysis of national export control laws and regulations;
- (10) the long-term projection of United States requirements for sources of energy and other critical resources and materials; and
- (11) such other factors as the President or the Committee may determine to be appropriate generally or in connection with a specific review or investigation.

In the transactions that CFIUS will review during the next reporting period, it will take into account the national security considerations noted above. CFIUS will consider whether the transactions may have the above-listed or any other adverse effects in determining whether the transactions pose national security risk.

SECTION II: REPORT ON FOREIGN ACQUISITIONS OF U.S. CRITICAL TECHNOLOGY COMPANIES

Executive Summary

ES.1 Overview

This section of the Annual Report to Congress has been prepared in accordance with section 721(m)(3) of the Defense Production Act of 1950 (50 U.S.C. App. 2170(m)(3)), as amended. Section 721(m)(3) requires the annual report to include:

“(i) an evaluation of whether there is credible evidence of a coordinated strategy by 1 or more countries or companies to acquire United States companies involved in research, development, or production of critical technologies for which the United States is a leading producer; and

“(ii) an evaluation of whether there are industrial espionage activities directed or directly assisted by foreign governments against private United States companies aimed at obtaining commercial secrets related to critical technologies.”

This report evaluates those issues for the year 2008.

ES.2 Approach

This report uses the definition of “critical technologies” set forth in the Regulations Pertaining to Mergers, Acquisitions, and Takeovers by Foreign Persons (the “CFIUS regulations”), published in the Federal Register on November 21, 2008, and codified at 31 CFR Part 800:

“§800.209 Critical technologies.

“The term *critical technologies* means:

“(a) Defense articles or defense services covered by the United States Munitions List (USML), which is set forth in the International Traffic in Arms Regulations (ITAR) (22 CFR parts 120-130);

“(b) Those items specified on the Commerce Control List (CCL) set forth in Supplement No. 1 to part 774 of the Export Administration Regulations (EAR) (15 CFR parts 730-774) that are controlled pursuant to multilateral regimes (*i.e.*, for reasons of national security, chemical and biological weapons proliferation, nuclear nonproliferation, or missile technology), as well as those that are controlled for reasons of regional stability or surreptitious listening;

“(c) Specially designed and prepared nuclear equipment, parts and components, materials, software, and technology specified in the Assistance to Foreign Atomic Energy Activities regulations (10 CFR part 810), and nuclear facilities, equipment, and material specified in the Export and Import of Nuclear Equipment and Materials regulations (10 CFR part 110); and

“(d) Select agents and toxins specified in the Select Agents and Toxins regulations (7 CFR part 331, 9 CFR part 121, and 42 CFR part 73).”

Adopting this definition of critical technologies in the CFIUS regulations required the adoption of new methodologies for identifying U.S. companies involved in research, development, or production of critical technologies (“critical technology companies”) for purposes of this report. As discussed in more detail below, the list of foreign-acquired U.S. critical technology companies used in this report was compiled by CFIUS agencies responsible for administering the export control regulations that are referenced in the new critical technologies definition. These agencies identified transactions involving U.S. critical technology companies based on their respective export control authorities and publicly available information.

CFIUS agencies’ sectoral subject matter experts (SMEs) and the U.S. Intelligence Community (IC) reviewed the resulting list of mergers and acquisitions (M&As) for evidence of a coordinated strategy on behalf of a foreign government or company. This report presents the results of that analysis of 165 completed M&A transactions involving foreign investors and U.S. critical technology companies.

ES.3 Key Finding

Coordinated Strategy to Acquire Critical Technology Companies

Based on our analysis of 2008 M&A data, we judge it unlikely that there is a coordinated strategy among one or more foreign governments or companies to acquire United States companies involved in research, development, or production of critical technologies for which the United States is a leading producer.

Use of Espionage Activities to Obtain Critical Technologies

We judge that foreign governments are highly likely to utilize various collection methods to obtain U.S. critical technologies.

1 Introduction

This section of the Annual Report to Congress has been prepared in accordance with section 721(m)(3) of the Defense Production Act of 1950 (50 U.S.C. App. 2170(m)(3)), as amended. This report covers M&A activity during calendar year 2008.

Unless otherwise specified, references to the country of origin of a foreign investor or company do not imply an association of the company with the country's government.

1.1 *Scope of the Report*

This section of the report is divided into the following subsections⁵:

1. Introduction
2. Whether there is Credible Evidence of a Coordinated Strategy to Acquire U.S. Critical Technology Companies
3. Whether Foreign Governments Used Espionage Activities to Obtain Commercial Secrets Related to Critical Technologies
4. Appendices

Subsection 1 explains the background, approach, and scope of this report.

Subsection 2 presents findings based on a review of 165 completed M&A transactions identified by the Departments of State, Commerce, and Energy as involving a U.S. target company involved in production, research and development, or export of critical technologies. This subsection also presents an analysis of those M&A transactions by sector of the U.S. target company and country of the foreign investor.

Subsection 3 discusses economic intelligence gathering, including espionage, used to obtain commercial secrets involving critical technologies, and is not limited to foreign direct investment.

Appendix A provides additional detail on the methodology used to identify foreign-acquired critical technology companies in this year's report. Appendix B contains detailed charts of each industry sector with the regional and country breakdown of foreign mergers with or acquisitions of U.S. critical technology companies.

⁵ Subsection 2 of last year's report, an analysis of the extent of foreign direct investment in industries that included critical technology companies, is not included in this year's report because it relied on industry codes to identify the "critical technology industries" as the basis of that subsection's data and analysis. With the new, more accurate methodology for identifying critical technology transactions, we no longer rely on those codes, which are more general than the technologies of interest, as a proxy for identifying the foreign acquisition of specific critical technology companies.

1.2 Approach to Evaluating Foreign Acquisitions of U.S. Critical Technology Companies

Identifying Foreign-Acquired U.S. Critical Technology Companies

The definition of critical technologies in this year's report adopts the definition set forth in the CFIUS regulations. As a result, CFIUS agencies modified the data sources and approach used in last year's report to identify foreign-acquired U.S. critical technology companies in this report, consistent with this new definition.

The definition of critical technologies set forth in the CFIUS regulations is based on U.S. export control regulations, which were determined to be the most reliable and accurate means of identifying such technologies. CFIUS agencies responsible for administering export controls used a combination of their own official records and publicly available information to identify foreign-acquired U.S. companies involved in production, research and development, or export of critical technologies. Those agencies identified 165 U.S. critical technology companies that were acquired by or received significant investments from foreign investors during 2008.

Defining "Coordinated Strategy" for Purposes of this Report

To meet the statutory requirement of providing "an evaluation of whether there is credible evidence of a coordinated strategy by 1 or more countries or companies to acquire United States companies involved in research, development, or production of critical technologies for which the United States is a leading producer," CFIUS agencies used the same working definition of "coordinated strategy" as in last year's report:

- A plan of action reflected in directed efforts developed and implemented by a foreign government, in association with one or more foreign companies, to acquire U.S. companies with critical technologies. The efforts of a single company in pursuit of business goals, absent indications of specific government direction, were not considered to be a coordinated strategy. Individual company strategies encompass such business goals as: entry into the U.S. market; increased market share; increased sales; access to new technologies; and diversification out of mature industries.
 - Examples of suspect behaviors that could be evidence of a coordinated strategy include:
 - A pattern of actual or attempted acquisitions of U.S. firms by foreign entities;
 - Evidence that specific completed or attempted acquisitions of companies with critical technologies had been ordered by foreign governments or foreign government-controlled firms; or
 - The provision of narrowly targeted incentives by foreign governments or foreign-controlled firms (*e.g.*, grants, concessionary loans, or tax breaks), especially those that appear to market observers to be disproportionately generous, to acquire U.S. firms with critical technologies.

Analyzing the Acquisitions of U.S. Critical Technology Companies

CFIUS agencies addressed the requirements of section 721(m)(3) by:

- Analyzing the pattern of mergers with or acquisitions of U.S. companies in industries involved in the research, development, or production of critical technologies during 2008, while also considering transactions in prior years as appropriate.
 - CFIUS agencies concentrated on foreign direct investment through mergers with and acquisitions of companies involved in all critical technologies, regardless of industry.
 - CFIUS agencies did not attempt to evaluate issues relating to other avenues of foreign access to U.S. critical technologies, such as licensing, contracting, or other arrangements that are not mergers or acquisitions.
- Assessing illicit attempts by government intelligence services of major economic competitors to obtain military and dual-use critical technologies.
 - CFIUS agencies did not attempt to evaluate foreign espionage in areas other than dual-use, military, or other U.S. critical technologies, or against companies not headquartered in the United States.
 - In addition, CFIUS agencies reviewed available information about other countries that have historically sought information on critical technologies through the use of those countries' intelligence services.

1.3 Report Participants

Departments and agencies that participated in the development of this section of the report were:

- Department of Commerce
 - Bureau of Industry and Security
 - International Trade Administration
 - National Telecommunications Information Administration
- Department of Defense – Defense Technology Security Administration
- Department of Justice
- Department of State
 - Bureau of Economic, Energy, and Business Affairs
 - Bureau of Political-Military Affairs
 - Bureau of International Security and Nonproliferation
- Department of the Treasury
- Intelligence Community Elements
 - Office of the Director of National Intelligence, National Intelligence Council
 - Air Force Office of Special Investigations
 - Army Counterintelligence Center
 - Central Intelligence Agency
 - Defense Intelligence Agency
 - Federal Bureau of Investigation, National Security Branch
 - Department of Energy, Office of Intelligence and Counterintelligence
 - Department of Homeland Security, Office of Intelligence and Analysis
 - Department of State, Bureau of Intelligence and Research
 - Department of the Treasury, Office of Intelligence and Analysis
 - Marine Corps Intelligence Activity
 - Office of the National Counterintelligence Executive, Community Acquisition Risk Section
 - National Counterterrorism Center
 - National Geospatial-Intelligence Agency
 - National Security Agency
 - Naval Intelligence (Office of Naval Intelligence and Naval Criminal Investigative Service)
- Executive Office of the President
 - Council of Economic Advisors
 - National Security Council
 - Office of Science and Technology Policy

2 Whether There Is Credible Evidence of a Coordinated Strategy to Acquire U.S. Critical Technology Companies

2.1 Key Coordinated Strategy Findings

We judge it unlikely that there is a coordinated strategy among one or more foreign governments or companies to acquire United States companies involved in research, development, or production of critical technologies for which the United States is a leading producer.⁶

Indications of a coordinated strategy may go unobserved due to limitations on intelligence collection or may be hidden or misconstrued because of foreign denial and deception activities.

2.2 Summary of Foreign M&A Activity in the United States

Using the methodology described in Subsection 1.2 and Appendix A, the report team identified 165 completed foreign mergers with or acquisitions of U.S. critical technology companies, involving acquirers from 26 countries and territories. CFIUS agencies and the IC evaluated all 165 transactions for evidence of a coordinated strategy to acquire U.S. critical technologies.

2.3 Frequency of Activity by Countries

Identifying acquirers' home countries may provide useful insights into the analysis of foreign acquisitions of U.S. critical technology companies. Table 2-1 lists the home countries of foreign investors that acquired U.S. critical technology companies in 2008.⁷

⁶ This judgment and supporting text are formulated differently than in last year's report to ensure greater consistency with current analytic standards.

⁷ Due to data limitations, Table 2-1 may not always show the home country of the ultimate acquirer. Some M&A transactions are conducted through affiliates established in one country that are ultimately controlled by investors based in another country. Three countries known to attract such affiliates through favorable corporate, tax, or bank secrecy laws – the Netherlands, Luxembourg, and Switzerland – account for more than 10 percent of the transactions identified by CFIUS for this report. The data sources used to identify foreign acquisitions of U.S. critical technology companies (see Appendix A for details) may sometimes show the country of incorporation of the legal entity directly involved in the transaction, or of an intermediate parent of the acquiring entity, rather than the home country of the acquirer's ultimate parent.

Country	Total
United Kingdom	49
France	15
Israel	13
Canada	12
India	11
Germany	9
Netherlands	9
Japan	9
Taiwan	6
Italy	6
Australia	5
Luxembourg	4
Singapore	4
Switzerland	4
Austria	2
China	2
Norway	2
Russia	2
Sweden	2
Belgium	1
Brazil	1
Hong Kong	1
Lithuania	1
New Zealand	1
South Korea	1
United Arab Emirates	1

Note: Country totals exceed the overall total of 165 due to transactions involving acquirers from multiple countries

Table 2-1: Home Country of Foreign Acquirers of Critical Technology Companies

Thirty percent of the 165 critical technology transactions identified for this report originated in the United Kingdom (UK), and another 11 percent originated in Canada, Australia, or New Zealand.

Notably, all six foreign companies that acquired three or more U.S. critical technology companies in 2008 were based in the United Kingdom. Moreover, three of the seven foreign companies that acquired exactly two U.S. critical technology companies in 2008 were also based in the United Kingdom.

As shown in Figure 2-1, the largest amount of M&A activity involving foreign acquisitions of U.S. critical technology companies involved targets whose primary activities are in the information technology sector, followed by the aerospace and defense sector.⁸

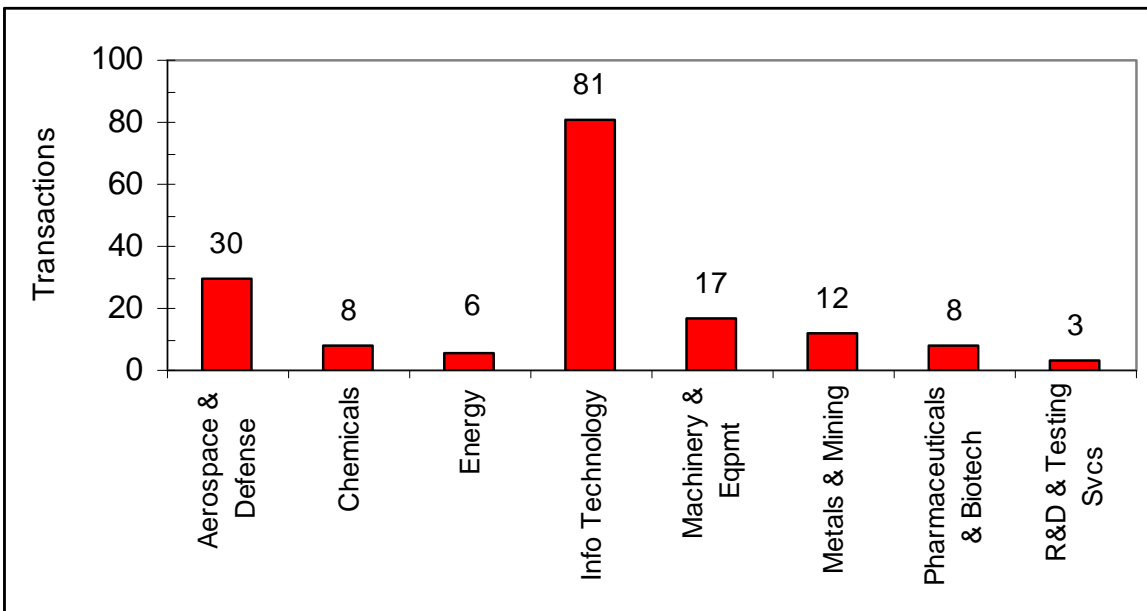


Figure 2-1: Completed Transactions by Sector of U.S. Target Company

⁸ The target companies may be active in a number of sectors, only some of which may be related to critical technologies.

The data can also be analyzed by the home region of the foreign acquirers. Figure 2-2 displays the data with the following regional breakdown: 1) Western Europe,⁹ 2) Canada, Australia, and New Zealand,¹⁰ 3) East Asia,¹⁰ and 4) other countries. Western European investors accounted for 60 percent of all transactions, with investors from East Asia accounting for 13 percent.

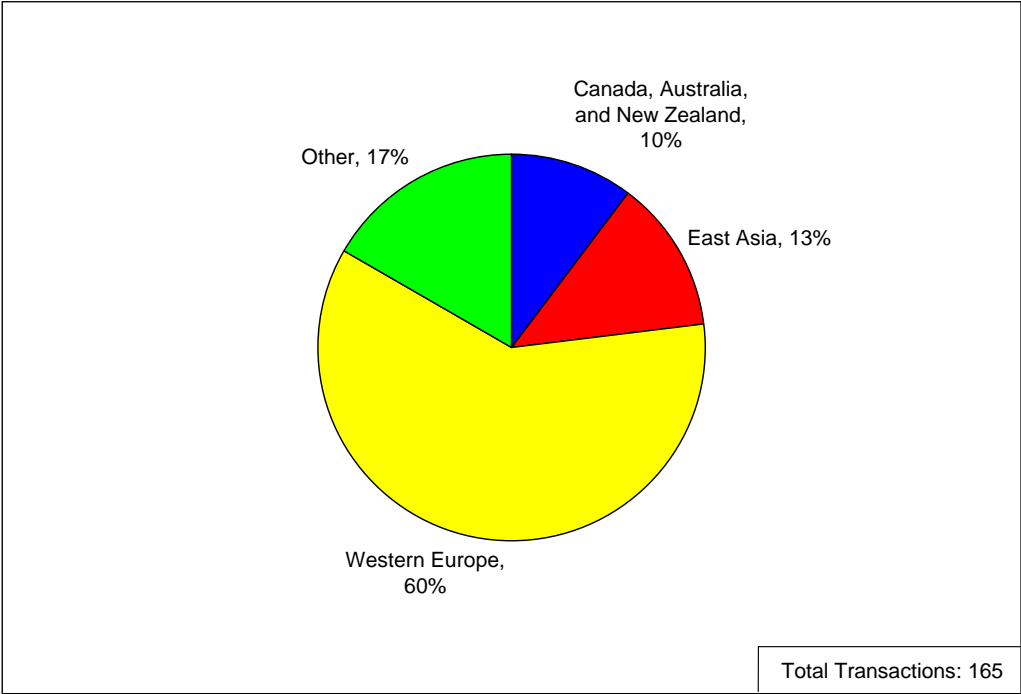


Figure 2-2: Completed Foreign Transactions in Critical Technologies, by Region

⁹ For this report, “Western Europe” refers to the European Union’s 27 member states plus Switzerland and Norway.

¹⁰ For this report, the term “East Asia” includes China, Hong Kong, Japan, Singapore, South Korea, and Taiwan.

Figure 2-3 shows the regional breakdown of activity by number of transactions in each sector. European investors were the most active acquirers of U.S. critical technology companies in the eight identified sectors.

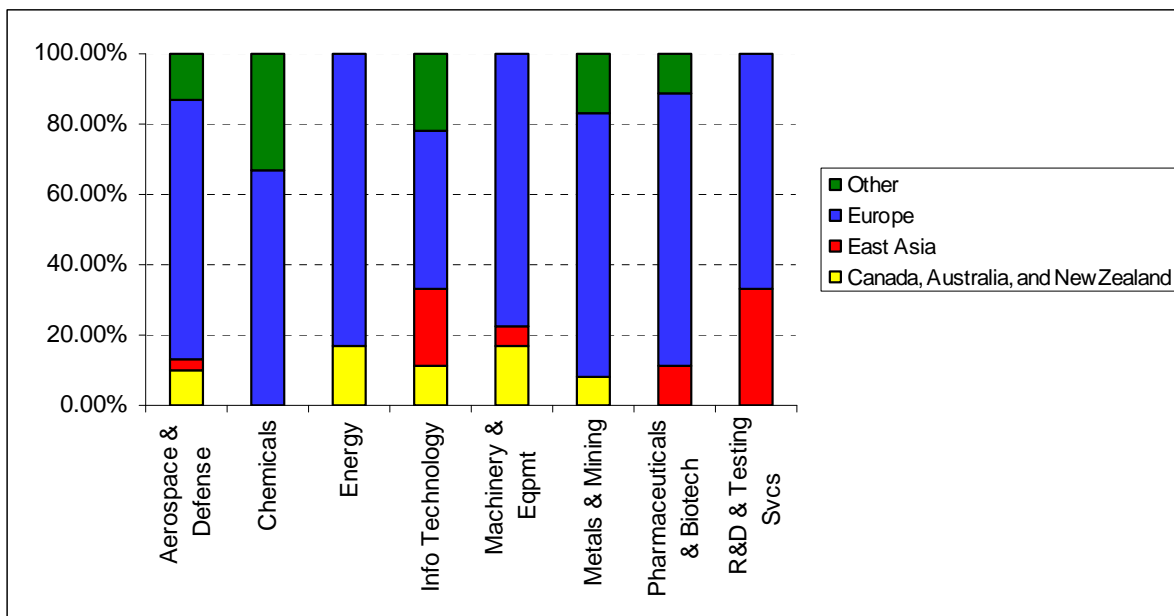


Figure 2-3: Completed Transactions by Region within Each Sector

Appendix B provides additional detail on the sectors of acquired U.S. critical technology companies and the home country of the foreign acquirers.

3 Whether Foreign Governments Used Espionage Activities to Obtain Commercial Secrets Related to Critical Technologies

3.1 Key Espionage Finding

We judge that foreign governments are highly likely to utilize various collection methods to obtain U.S. critical technologies.

APPENDIX A – Methodology and Data Sources Used to Identify U.S. Critical Technology Companies Acquired by Foreigners

As described in the main body of Section II, this year's report follows the new definition of critical technologies set forth in 31 CFR 800.209. Because this definition of critical technologies is specific to the CFIUS regulations, there is no single source that lists all U.S. critical technology companies acquired by foreign persons. Therefore, for purposes of this report, CFIUS agencies responsible for administering U.S. export control regulations used a combination of publicly available information, non-public data on M&A transactions that CFIUS reviewed, and their own internal records to identify 165 U.S. critical technology companies that were acquired by or received significant investments from foreign investors in 2008. The specific data sources and methodology used varied depending on the records maintained pursuant to the particular export control regulations that pertain to the different critical technology categories; the dataset used for this report is therefore limited. The various methodologies are described below.

31 CFR 800.209(a): This paragraph pertains to defense articles or defense services covered by the United States Munitions List (USML), which is set forth in the International Traffic in Arms Regulations (ITAR) (22 CFR parts 120-130).

Under the provisions of the ITAR, the Department of State maintains a robust registration, licensing, and compliance process for any person, whether a U.S. or foreign person, involved in the export or temporary import of a defense article or defense service controlled by the ITAR. This allows identification of foreign acquisitions of U.S. critical technology companies that produce defense articles or services covered under the ITAR.

31 CFR 800.209(b): This paragraph pertains to those items specified on the Commerce Control List (CCL) set forth in Supplement No. 1 to part 774 of the Export Administration Regulations (EAR) (15 CFR parts 730-774) that are controlled pursuant to multilateral regimes (i.e., for reasons of national security, chemical and biological weapons proliferation, nuclear nonproliferation, or missile technology), as well as those that are controlled for reasons of regional stability or surreptitious listening.

Firms producing items under the regulations specified in this paragraph of 31 CFR 800.209 are not required to register with the Commerce Department, but, in many cases, must obtain a license from the Commerce Department in order to export those items (including "deemed exports" to foreign nationals in the United States). To identify acquisitions of companies producing items that come under this part of the definition, the Commerce Department used a combination of publicly available information on

M&A transactions,¹¹ information on non-publicly announced M&A transactions notified to CFIUS, and its internal records of export license applications.

31 CFR 800.209(c): This paragraph pertains to specially designed and prepared nuclear equipment, parts and components, materials, software, and technology specified in the Assistance to Foreign Atomic Energy Activities regulations (10 CFR part 810), and nuclear facilities, equipment, and material specified in the Export and Import of Nuclear Equipment and Materials regulations (10 CFR part 110);

The Energy Department used a similar approach to that adopted by the Commerce Department, checking a list of publicly announced M&A transactions¹² against its records of export authorizations under 10 CFR part 810 and the Nuclear Regulatory Commission's records of export license requests under 10 CFR part 110.

31 CFR 800.209(d): This paragraph pertains to select agents and toxins specified in the Select Agents and Toxins regulations (7 CFR part 331, 9 CFR part 121, and 42 CFR part 73).

The agents and toxins specified under these regulations are generally subject to export controls administered by the Commerce Department. To this extent, the discussion above regarding the Commerce Department's methodology applies to transactions involving these critical technologies as well.

Despite limitations associated with relying on data collected under existing export control authorities, this approach to identifying critical technology M&A transactions, pursuant to the CFIUS regulations published in November 2008, is superior to relying on transactions identified by the industry codes of the U.S. target companies, the approach taken in last year's report, because it is more likely to identify relevant transactions.

¹¹ The M&A transactions were identified using the ThomsonONE database and Capital IQ's database of M&A transactions.

¹² The list of M&A transactions was drawn from the Capital IQ database.

APPENDIX B – Country and Sector Detail

This appendix presents detailed charts of the annual, industry, and regional trends of the 165 completed foreign M&As of U.S. companies in critical technology sectors announced in 2008. Figure B-1 shows the distribution of completed transactions by country within each geographic region, and Figures B-2 and B-3 show the distribution by sector and country. The United Kingdom had the largest number of transactions among European countries, followed by France and Germany. Japan had the largest number of transaction from East Asia. Of the remaining countries in other regions, India and Israel had the largest number of transactions.¹³

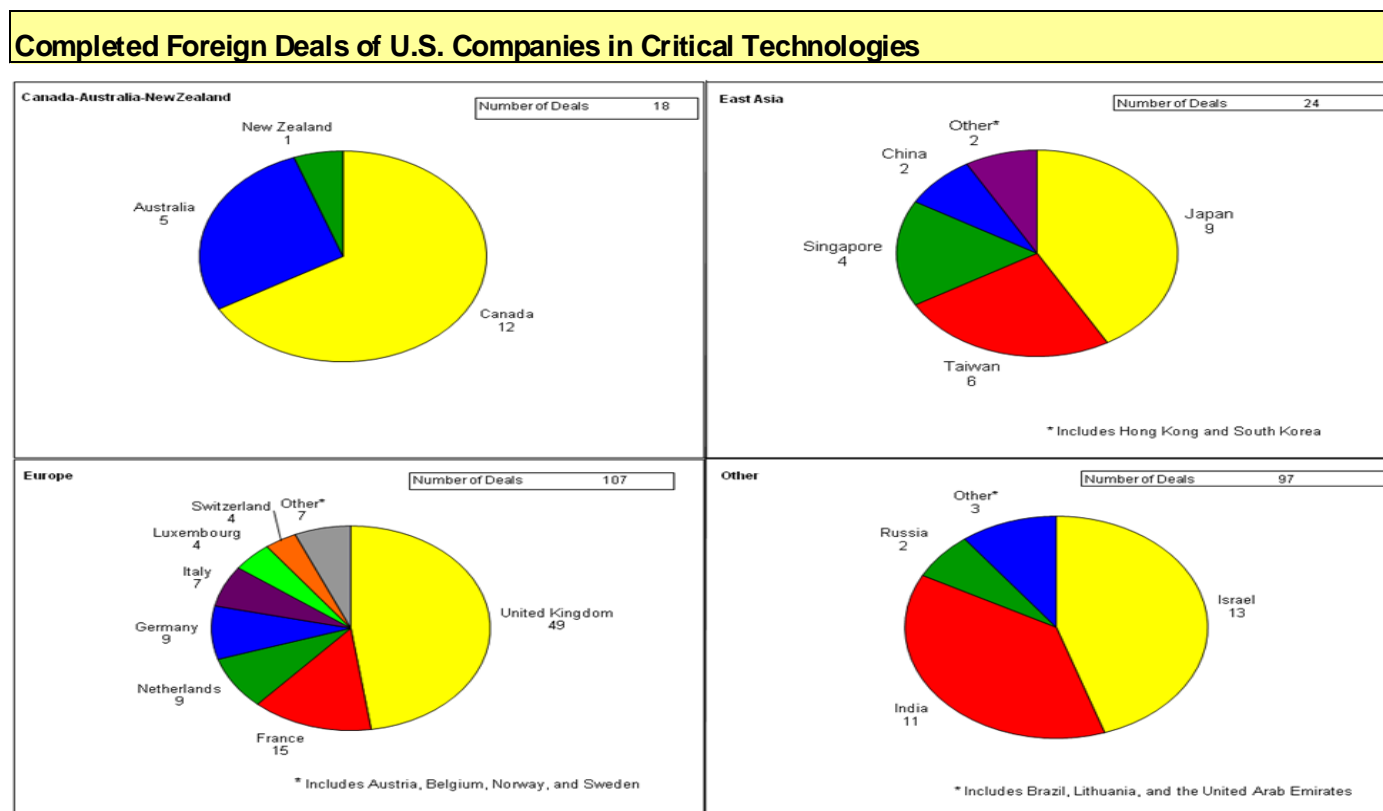


Figure B-1: Completed Foreign Transactions in Critical Technologies with Region Detail

¹³ The number of transactions shown in Figures B-1 through B-3 exceeds 165 because several transactions involved acquirers from more than one country. In these cases the transactions were counted more than once.

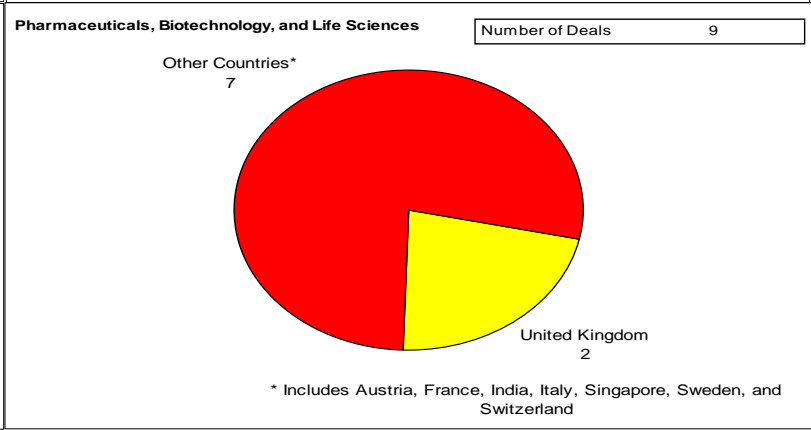
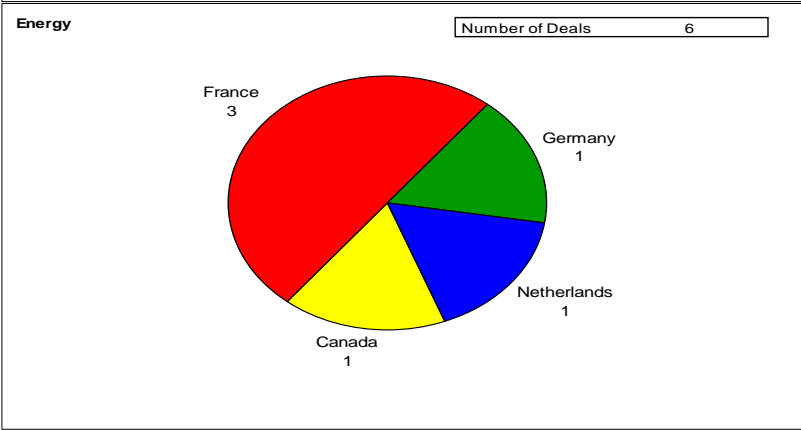
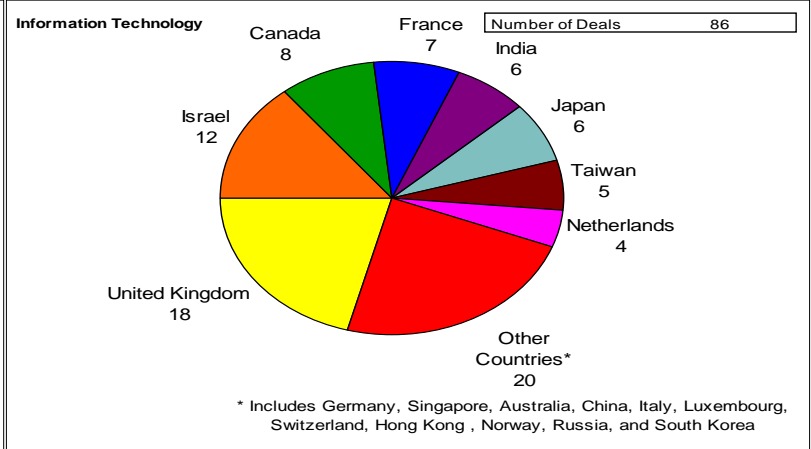
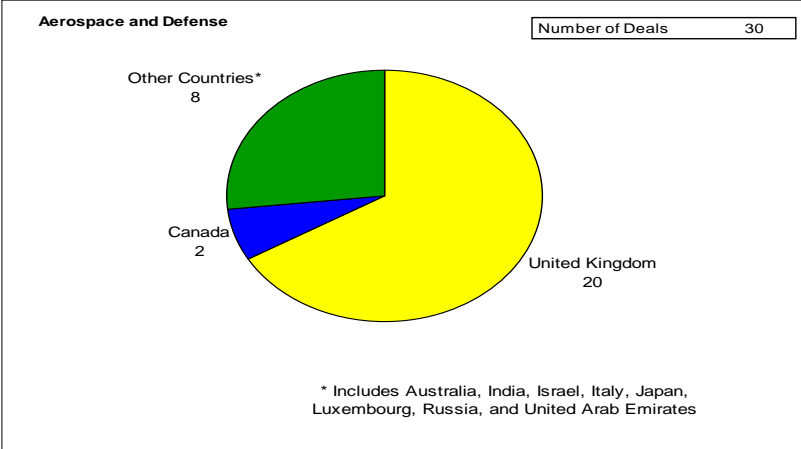


Figure B-2: Completed Foreign Transactions in Critical Technologies by Sector and Country

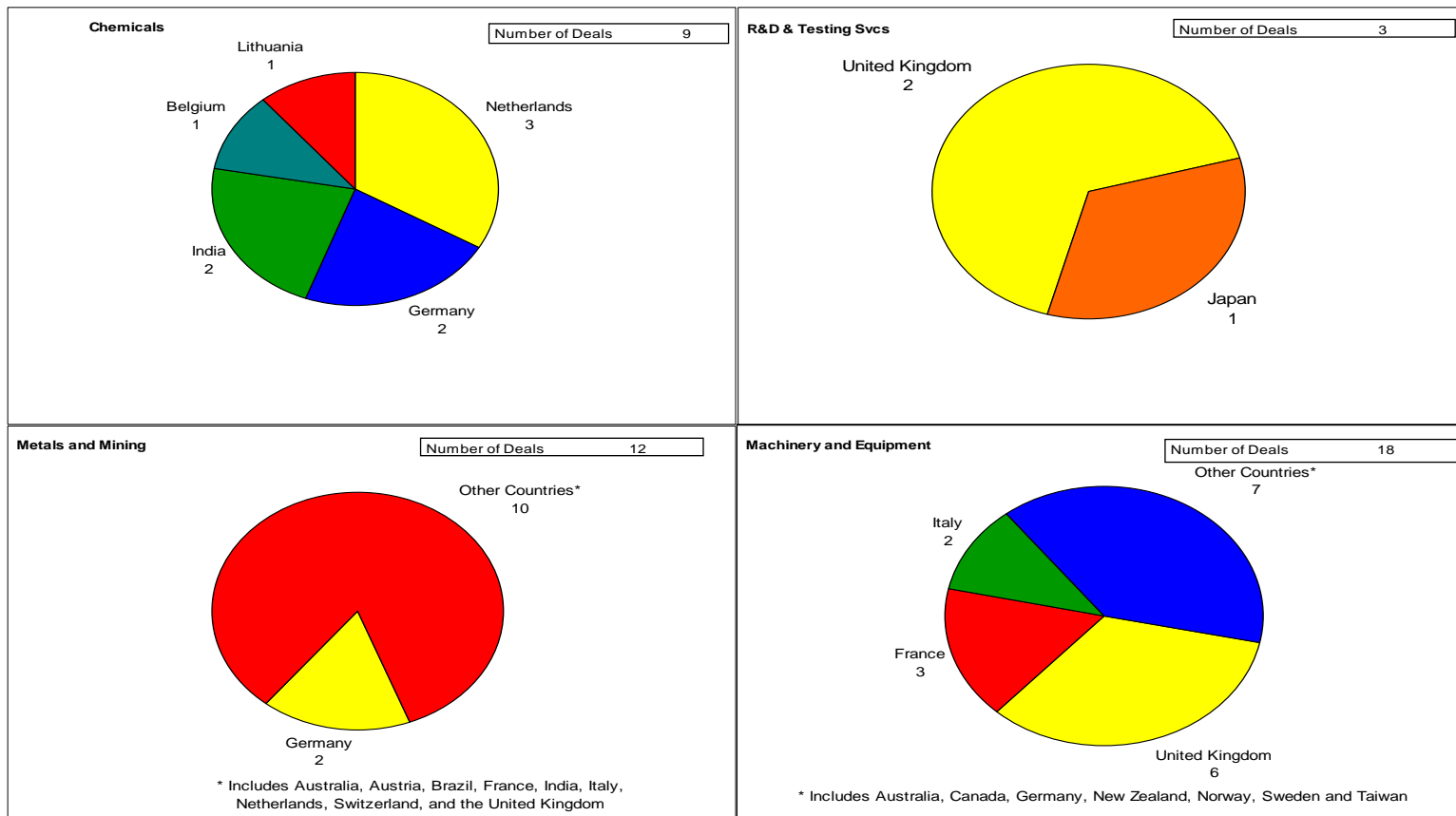


Figure B-3: Completed Foreign Transactions in Critical Technologies by Sector and Country

APPENDIX C – Abbreviations and Acronyms

AFOSI	Air Force Office of Special Investigations
BIS	Bureau of Industry and Security, Department of Commerce
CFIUS	Committee on Foreign Investment in the United States
DIA	Defense Intelligence Agency
DNI	Director of National Intelligence
DSS	Defense Security Service
EAR	Export Administration Regulations
FCC	Federal Communications Commission
GSM	Global System for Mobile communications
IT	Information Technology
ITAR	International Traffic in Arms Regulation
M&A	Mergers and Acquisitions
NAICS	North American Industry Classification System
ONCIX	Office of the National Counterintelligence Executive
R&D	Research and Development
S&T	Science and Technology
SIC	Standard Industrial Classification
SME	Subject Matter Expert
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
UMTS	Universal Mobile Telecommunications Systems
U.S.	United States
USG	United States Government

SECTION III: REPORT ON FOREIGN DIRECT INVESTMENT IN THE UNITED STATES BY COUNTRIES THAT BOYCOTT ISRAEL OR DO NOT BAN TERRORIST ORGANIZATIONS

Introduction

This section of the CFIUS Annual Report to Congress has been prepared in accordance with section 7(c) of the Foreign Investment and National Security Act of 2007, or “FINSA” (Pub. L. No. 110-49). Section 7(c) of FINSA provides:

“(1) STUDY REQUIRED.—Before the end of the 120-day period beginning on the date of enactment of this Act and annually thereafter, the Secretary of the Treasury, in consultation with the Secretary of State and the Secretary of Commerce, shall conduct a study on foreign direct investments in the United States, especially investments in critical infrastructure and industries affecting national security, by—

(A) foreign governments, entities controlled by or acting on behalf of a foreign government, or persons of foreign countries which comply with any boycott of Israel; or

(B) foreign governments, entities controlled by or acting on behalf of a foreign government, or persons of foreign countries which do not ban organizations designated by the Secretary of State as foreign terrorist organizations.

“(2) REPORT.—Before the end of the 30-day period beginning upon the date of completion of each study under paragraph (1), and thereafter in each annual report under section 721(m) of the Defense Production Act of 1950 (as added by this section), the Secretary of the Treasury shall submit a report to Congress, for transmittal to all appropriate committees of the Senate and the House of Representatives, containing the findings and conclusions of the Secretary with respect to the study described in paragraph (1), together with an analysis of the effects of such investment on the national security of the United States and on any efforts to address those effects.”

This section of the CFIUS Annual Report to Congress is the second report drafted in accordance with section 7(c) of FINSA. Last year, Treasury complied with this requirement by submitting to Congress a report titled, “Report to Congress on Foreign Direct Investment in the United States from Certain Countries as Required by the Foreign Investment and National Security Act of 2007.” Last year’s report covered the period from January 2005 through September 2007. This section of this year’s CFIUS annual report covers the period from October 2007 through December 2008.

A. Summary of Findings and Conclusions

- The flow of foreign direct investment (FDI) into the United States from the relevant countries represents a small percentage of the total FDI flows into the United States.
- The combined value of publicly reported mergers with and acquisitions (“M&A”) of U.S. companies, the main form of FDI, by investors from the relevant countries from October 2007 to December 2008, totaled \$8 billion. The total value of publicly announced acquisitions of U.S. companies by all foreign investors during that period exceeded \$400 billion.
- FDI in the form of M&A of U.S. companies by investors from the relevant countries spanned a number of economic sectors.
- For the transactions covered by this report, CFIUS either reviewed and concluded action under section 721 with no unresolved national security concerns, or CFIUS agencies considered the transaction through procedures they have put in place to look at transactions that are not notified to CFIUS.

B. Study Methodology

1. Identification of Relevant Countries

To identify relevant countries that comply with a boycott of Israel, the report team considered the list published by the Treasury Department pursuant to section 999 of the Internal Revenue Code and the countries identified by the State Department in reporting to Congress under section 564 of the Foreign Relations Authorization Act, FY 1994-95, as well as information about the countries’ observance of a primary boycott of Israel. Based on these considerations, we interpret the reporting requirement under section 7(c)(1)(A) of FINSA to apply to the following countries which comply with a boycott of Israel and were the source of FDI transactions identified in subsection 3 below during the relevant time period (see subsection 2 below): Kuwait, Lebanon, Qatar, Saudi Arabia, and the United Arab Emirates. Several other countries, Libya, Syria, Yemen, Iran, and Sudan, listed under the State or Treasury statutory provisions cited above, were not the source of FDI transactions identified in subsection 3 below during the relevant time period (see subsection 2 below).

To identify relevant countries that do not ban foreign terrorist organizations, we interpreted section 7(c)(1)(B) of FINSA to apply to countries that were certified in 2008 as “not cooperating fully with United States antiterrorism efforts,” pursuant to section 40A of the Arms Export Control Act, as amended. Those countries are Cuba, Eritrea, Iran, North Korea, Syria, and Venezuela.

2. Scope of FDI and Time Period

This report considers transactions between October 1, 2007, and December 30, 2008 (the “relevant time period”), involving mergers with or acquisitions of U.S. companies by investors from countries that comply with any boycott of Israel or that do not ban terrorist organizations, referred to throughout this report as “the relevant countries.”

3. Sources of Data on FDI Transactions

For this report, our primary sources of data for potential FDI transactions from the relevant countries were the following:

(a) *Thomson ONE Banker database*: This database is a product of the Thomson Financial division of Thomson Corporation. The information on transactions provided in the database includes the date of the transaction, the respective countries of origin of the acquirer and acquired company, the sector of the acquired company, and in most cases, the transaction value and the percentage of ownership rights acquired. The transactions considered for this report excluded those in the Thomson One Banker database that resulted in an ownership stake in a U.S. company of less than 10 percent.

(b) *Transactions voluntarily notified to CFIUS pursuant to section 721.*

(c) *Transactions that were the subject of CFIUS agencies’ procedures for identifying and considering transactions that were not voluntarily notified to CFIUS (“non-notified transactions”).*

C. Detailed Findings

1. Quantification of FDI into the United States from the Relevant Countries

The study identified 27 completed acquisitions within the relevant time period by investors from countries that comply with any boycott of Israel. These transactions involved investors from Kuwait, Lebanon, Qatar, Saudi Arabia, and the United Arab Emirates.

The study did not identify any acquisitions of U.S. companies during the relevant time period by investors from Cuba, Iran, North Korea, and Syria, countries which do not cooperate fully with U.S. antiterrorism efforts, and which were subject to stringent economic sanctions during most or all of the relevant period.¹⁴ There also were no acquisitions of U.S. companies during the relevant time period by investors from Eritrea or Venezuela, two countries that were also designated as not cooperating fully with U.S. antiterrorism efforts.

¹⁴ Certain sanctions relating to North Korea were lifted in October 2008.

The combined reported value of the 27 identified transactions is over \$7.99 billion.¹⁵ Figure C-1 shows the number and aggregate value of the transactions for each of the relevant countries:

Country	Number of Transactions	Known Transaction Value (\$mn)
Kuwait	3	\$2,071
Lebanon	1	\$15
Saudi Arabia	2	\$143
United Arab Emirates	21	\$5,761
Total	27	\$7,990

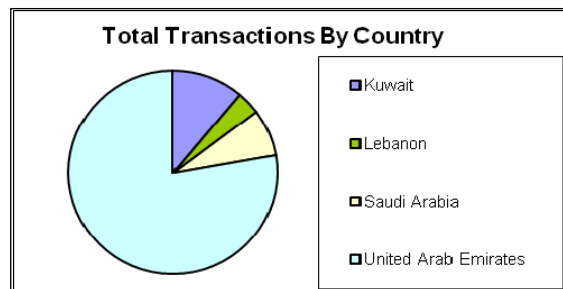


Figure C-1: Total Transactions by Country of Acquirer

FDI into the United States from the relevant countries during the relevant time period spans numerous major sectors of the economy. Figure C-2 shows each of the sectors represented by the 27 transactions presented in Figure C-1, noting both the number and value of transactions for each sector.

Sector	Number of Transactions	Known Transaction Value (\$mn)
Energy & Power	5	\$124
Financials	3	\$2,000
High Technology	4	\$2,100
Industrials	6	\$362
Materials	2	\$114
Media & Entertainment	2	\$375
Real Estate	2	n/a
Retail	1	n/a
Services	2	\$2,915
Total	27	\$7,990

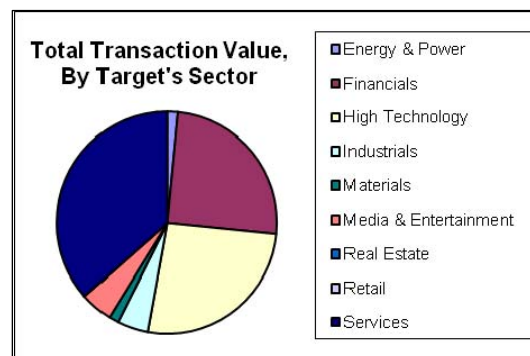


Figure C-2: Economic Sectors of U.S. Companies Acquired

¹⁵ Thomson reports data on M&A transaction value only in those cases in which the companies announce the value publicly. Thomson did not report, and Treasury staff were unable to determine independently, values for 13 of the 27 transactions from the Thomson database analyzed in this report. The value of the 27 total transactions, therefore, is necessarily greater than \$7.99 billion.

2. National Security Effects of FDI to the United States from the Relevant Countries
 Each of the 27 identified transactions was either formally reviewed by CFIUS under section 721 or was considered as part of the non-notified transaction procedures of CFIUS and CFIUS agencies.

Transactions formally reviewed under section 721. CFIUS conducted formal reviews under section 721 of six of the 27 completed transactions identified in Table C-1, with a total value of approximately \$5.5 billion. Figure C-3 shows both the number and value of those six transactions for each of the relevant countries.

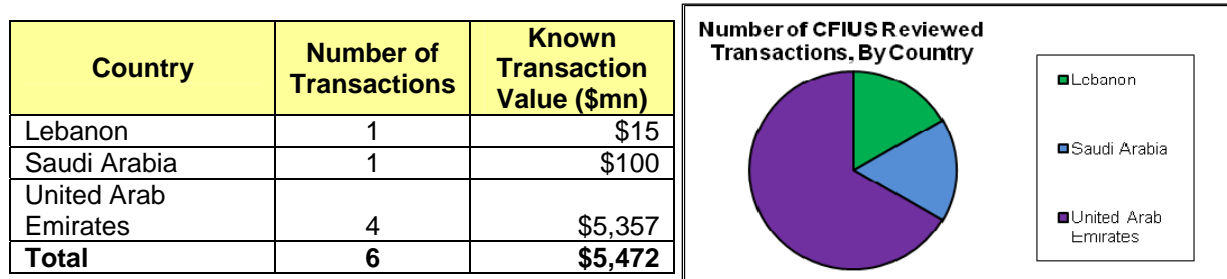


Figure C-3: CFIUS-Reviewed Transactions by Country of Acquirer

Figure C-4 shows the sectors of the six transactions reviewed by CFIUS under section 721.

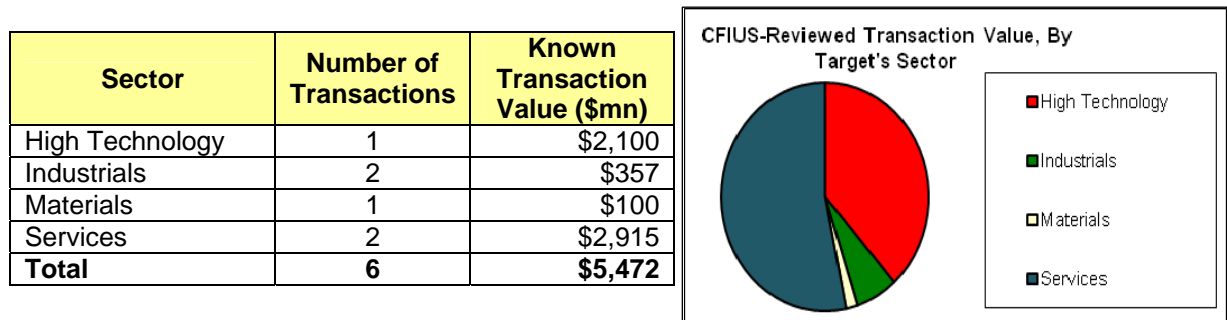


Figure C-4: CFIUS-Reviewed Transactions by Sector of U.S. Target Company

CFIUS concluded action on each of these transactions after reviewing the national security considerations posed by the transaction and determining that there were no unresolved national security concerns.

Transactions considered under non-notified transaction procedures. CFIUS agencies considered the remaining transactions under their respective “non-notified transaction” procedures. Pursuant to these procedures, CFIUS member agencies monitor M&A activity, identify transactions that have not been voluntarily notified to CFIUS but may present national security considerations, and assess whether additional information regarding the transaction or the authority of section 721 is required to identify or address any national security concerns.

Where CFIUS or an agency believes that a non-notified transaction may be a covered transaction and may raise national security considerations, CFIUS may request that the parties file a notice or may self-initiate a review under section 721. An agency would not request a filing if it can resolve any national security concerns through its independent authorities or if it has sufficient information to conclude that it does not have any national security concerns with the transaction. CFIUS requests information, and has in the past done so with respect to acquisitions by investors from the relevant countries. In cases where such information was requested in the past, the parties to the transaction promptly responded by filing a voluntary notice. Consideration by CFIUS agencies of non-notified transactions from the relevant countries have so far not resulted in requests that CFIUS seek filings by the parties to the transactions.

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