

**COMMITTEE ON
FOREIGN INVESTMENT
IN THE UNITED STATES**

**ANNUAL REPORT
TO CONGRESS**

Report Period: CY 2014

PUBLIC/UNCLASSIFIED VERSION

CFIUS ANNUAL REPORT TO CONGRESS

Report Period: CY 2014

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SECTION I: COVERED TRANSACTIONS

Introduction

This section of the 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), 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 filings,¹ 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 re-filed 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.

¹ For purposes of this Annual Report, "filings" means notices filed under section 721.

A. Information on 2014 Covered Transactions

The classified version of this report contains a table listing all 147 notices of transaction that were filed with CFIUS in 2014 and that CFIUS determined to be covered transactions under section 721. It 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.

- CFIUS conducted a “review” with respect to the 147 notices of covered transactions filed with CFIUS.
- CFIUS also conducted a subsequent “investigation” with respect to 52 of those 147 notices.
- Twelve of the 147 notices were withdrawn. In one of these cases, the parties filed a new notice, in 2015.
- One of the 147 notices was rejected during the review or investigation.

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

In the years 2009 through 2014, companies filed 627 notices of transactions that CFIUS determined to be covered transactions under section 721. About three percent (20 notices) of such notices were withdrawn during the review stage, eight percent (47 notices) were withdrawn during the investigation stage, and 39 percent (244 notices) resulted in an investigation. Withdrawals of notices are a function of the specific facts and circumstances of the particular transactions reviewed by the committee and are not indicative of a trend.

There continues to be a general upward trend between 2009 and 2014 in the number of notices filed with CFIUS. As shown in Table I-2, the number of notices increased from 65 in 2009 to 147 in 2014 and only decreased once, in 2013 with 97 notices. While the percentage of notices proceeding to investigation increased between 2012 and 2013 from 39 percent to 49 percent, due in part to a temporary suspension of government operations in October 2013, the percentage of notices proceeding to investigation decreased to 35 percent during 2014.

Apart from the general correlation between the number of notices and macroeconomic conditions, the information in the table below is not indicative of any discernible trends. CFIUS considers each transaction on a case-by-case basis, and the disposition of any particular case – be it withdrawal from review or investigation, closing in review or investigation, or Presidential decision – depends on the unique facts and circumstances of that case.

Covered Transactions, Withdrawals, and Presidential Decisions* 2009-2014					
Year	Number of Notices	Notices Withdrawn During Review	Number of Investigations	Notices Withdrawn After Commencement of Investigation	Presidential Decisions
2009	65	5	25	2	0
2010	93	6	35	6	0
2011	111	1	40	5	0
2012	114	2	45	20	1
2013	97	3	48	5	0
2014	147	3	51	9	0
Total	627	20	244	47	1

*Please see Section 1-D below for discussion of reasons parties may seek to withdraw a notice.

Table I-2: Covered Transactions, Withdrawals, and Presidential Decisions 2009-2014

C. Covered Transactions by Business Sector and Country

1. Covered Transactions by Business Sector of U.S. Companies: 2009-2014

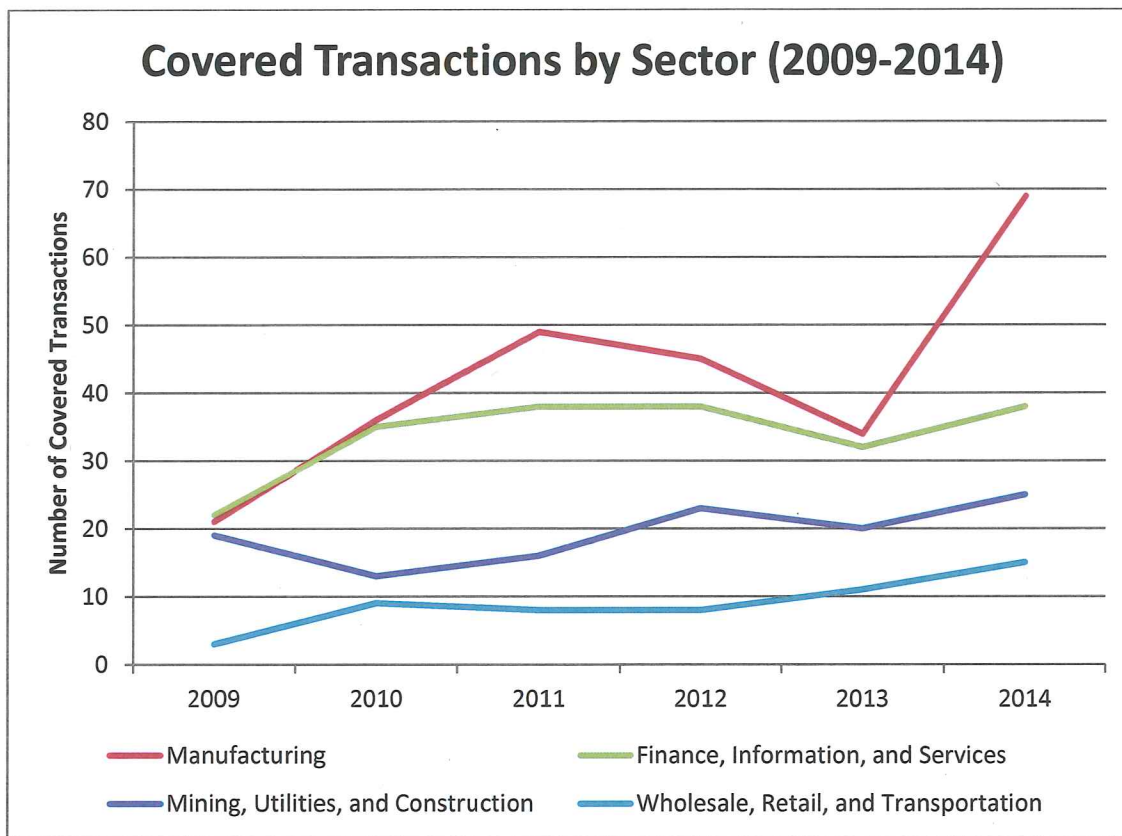
The notices of covered transactions filed with CFIUS during the 2009 to 2014 period involved a wide range of industrial sectors.² Nearly three quarters of such notices were in the manufacturing (257, or 41 percent) and the finance, information, and services sectors (201, or 32 percent). The remainder of notices were in the mining, utilities, and construction sector (116, or 19 percent) or the wholesale, retail, and transportation sector (53, or eight percent). These figures, and those in the tables below and in Section I.C.2 of this report, reflect the number of notices filed with CFIUS as required by statute 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 re-filed, as discussed in Section I.D of this Annual Report.

The table and chart below provide a breakdown by sector and by year of the 627 notices of covered transactions cumulatively filed with CFIUS from 2009 through 2014. The data below show that just as in 2013, the greatest number of filings in 2014 occurred in the manufacturing sector followed by the finance, information, and services sector. The percentage of notices in the manufacturing sector decreased in 2013 (from 39 percent to 36 percent), but rose significantly in 2014 (from 36 percent to 47 percent). The percentage of notices in the finance, information, and services sector decreased from 2013 to 2014 (from 33 percent to 26 percent). The percentage of notices in the mining, utilities, and construction sector decreased slightly from 2013 to 2014 (from 21 percent to 17 percent), although the number of filings increased (from 20 filings to 25). Wholesale, retail, and transportation remained constant at 10 percent of notices, but the number of filings increased by five notices from 2013 levels.

Covered Transaction by Sector and Year, 2009-2014					
Year	Manufacturing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale, Retail, and Transportation	Total
2009	21 (32%)	22 (34%)	19 (29%)	3 (5%)	65
2010	36 (39%)	35 (38%)	13 (14%)	9 (10%)	93
2011	49 (44%)	38 (34%)	16 (14%)	8 (7%)	111
2012	47 (39%)	36 (33%)	23 (20%)	8 (7%)	114
2013	35 (36%)	32 (33%)	20 (21%)	10 (10%)	97
2014	69 (47%)	38 (26%)	25 (17%)	15 (10%)	147
Total	257 (41%)	201 (32%)	116 (19%)	53 (8%)	627

Table I-3: Covered Transactions by Sector and Year, 2009-2014

² Broad sectors are defined using 2012 North American Industry Classification System (NAICS) codes of the target company. The NAICS code assigned to each target company is based upon information provided in the notice.



Covered Transactions by Sector 2009-2014

Manufacturing Sector

Manufacturing accounted for 47 percent (69 notices) of all notices filed with CFIUS during 2014. The computer and electronic products subsector continued to be the largest subsector of the manufacturing notices with 29 (42 percent). Other significant subsectors were the machinery and the transportation equipment subsectors with nine notices each. The chemical subsector experienced a rise in notices of seven percent (from three percent of total manufacturing notices in 2013 to 10 percent in 2014).

Manufacturing	NAICS Code	Number of Notices 2014	% of Total Manufacturing			
			2014	2012-14	2011-13	2010-12
Food Manufacturing	311	0	0%	1%	1%	0%
Textile Mills	313	1	1%	1%	0%	0%
Textile Product Mills	314	0	0%	1%	1%	2%
Leather and Allied Product Manufacturing	316	0	0%	1%	1%	1%
Printing and Related Support Activities	323	1	1%	1%	0%	0%
Petroleum and Coal Products	324	1	1%	1%	1%	1%
Chemical	325	7	10%	7%	3%	5%
Plastics and Rubber Products	326	5	7%	5%	2%	0%
Nonmetallic Mineral Products	327	1	1%	1%	1%	0%
Primary Metal	331	0	0%	0%	1%	1%
Fabricated Metal Product	332	1	1%	5%	6%	3%
Machinery	333	9	13%	14%	12%	9%
Computer and Electronic Product	334	29	42%	44%	48%	50%
Electrical Equipment, Appliance, and Component	335	4	6%	7%	11%	11%
Transportation Equipment	336	9	13%	11%	13%	18%
Miscellaneous	339	1	1%	1%	1%	1%

Table I-4: Covered Transactions from the Manufacturing Sector 2014

Finance, Information, and Services Sector

The finance, information, and services sector accounted for 26 percent (38 notices) of all notices filed with CFIUS during 2014. Professional, scientific, and technical services continued to make up the majority of the notices filed in this sector (14 notices). The publishing industries subsector experienced the largest percent increase in filings (from six percent of total manufacturing notices in 2013 to 24 percent in 2014) and the second largest number of notices in 2014 (nine notices). The rental and leasing services had the largest percent decrease with only two notices in 2014 (from 16 percent of total manufacturing notices in 2013 to only five percent in 2014).

Finance, Information, and Services (FIS)	NAICS Code	Number of Notices 2014	% of Total FIS			
			2014	2012-14	2011-13	2010-12
Publishing Industries (except Internet)	511	9	24%	12%	11%	16%
Motion Picture and Sound Recording Industries	512	0	0%	1%	1%	1%
Telecommunications	517	3	8%	10%	13%	12%
Data Processing, Hosting, and Related Services	518	1	3%	3%	2%	0%
Other Information Services	519	1	3%	2%	1%	1%
Credit Intermediation and Related Activities	522	0	0%	2%	3%	2%
Securities, Commodities Contracts, and Other Financial Investments and Related Activities	523	1	3%	1%	2%	3%
Real Estate	531	4	11%	7%	4%	4%
Rental and Leasing Services	532	2	5%	7%	6%	1%
Professional, Scientific, and Technical Services	541	14	37%	46%	52%	54%
Administrative and Support Staff	561	2	5%	6%	5%	5%
Waste Management and Remediation Services	562	1	3%	1%	1%	1%
Repair and Maintenance	811	0	0%	1%	1%	1%

Table I-5: Covered Transactions from the Finance, Information, and Services Sector 2014

Mining, Utilities, and Construction Sector

The mining, utilities, and construction sector accounted for 17 percent (25 notices) of all notices filed with CFIUS during 2014. Utilities made up over half of this sector with 13 notices. Other significant subsectors include oil and gas extraction with five notices and mining (except oil and gas) with three notices. The percentage of utilities notices slightly decreased, accounting for 52 percent of total mining, utilities, and construction notices filed in 2014, which is down from 60 percent in 2013.

Mining, Utilities, and Construction (MUC)	NAICS Code	Number of Notices 2014	% of Total MUC			
			2014	2012-14	2011-13	2010-12
Raw Timber Products	113	2	8%	3%	0%	0%
Oil and Gas Extraction	211	5	20%	15%	15%	13%
Mining (except Oil and Gas)	212	3	12%	15%	12%	12%
Support Activities for Mining	213	0	0%	4%	7%	10%
Utilities	221	13	52%	54%	56%	54%
Construction of Buildings	236	1	4%	3%	2%	0%
Heavy and Civil Engineering Construction	237	0	0%	3%	5%	8%
Specialty Trade Contractors	238	1	4%	3%	3%	4%

Table I-6: Covered Transactions from the Mining, Utilities, and Construction Sector 2014

Wholesale Trade, Retail Trade, and Transportation Sector

The wholesale trade, retail trade, and transportation sector accounted for 10 percent (15 notices) of all notices of covered transactions filed with CFIUS during 2014. The support activities for the transportation subsector made up over half of this sector, with eight notices. The water transportation and merchant wholesalers (nondurable goods) subsectors had the highest percent increases at seven percent and eleven percent over 2013 levels. Merchant wholesalers (durable goods) experienced the largest percent decrease at 18 percent (from 18 percent of total wholesale, retail, and transportation in 2013 to zero percent in 2014).

Wholesale, Retail, and Transportation (WRT)	NAICS Code	Number of Notices 2014	% of Total WRT			
			2014	2012-14	2011-13	2010-12
Merchant Wholesalers, Durable Goods	423	0	0%	9%	22%	24%
Merchant Wholesalers, Nondurables Goods	424	3	20%	15%	11%	12%
Air Transportation	481	0	0%	0%	0%	4%
Water Transportation	483	1	7%	6%	7%	8%
Transit and Ground Passenger Transportation	485	0	0%	0%	0%	4%
Pipeline Transportation	486	1	7%	6%	7%	8%
Support Activities for Transportation	488	8	53%	55%	48%	40%
Warehouse and Storage	493	1	7%	6%	4%	0%
Traveler Accommodation	721	1	7%	3%	0%	0%

Table I-7: Covered Transactions from the Wholesale, Retail, and Transportation Sector 2014

Covered Transactions by Business Sector of U.S. Companies: 2010-2014

The table on the following page provides a breakdown by subsector and by year of the covered transactions cumulatively filed with CFIUS from 2010 through 2014.

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Timber Tract Operations	1131	2	100%	100%	0%	0%	113	Raw Timber Products
Oil and Gas Extraction	2111	5	100%	100%	100%	100%	211	Oil and Gas Extraction
Coal Mining	2121	1	33%	10%	0%	0%	212	Mining (except Oil and Gas)
Metal Ore Mining	2122	2	67%	90%	100%	100%	212	Mining (except Oil and Gas)
Support Activities for Mining	2131	0	0%	100%	100%	100%	213	Support Activities for Mining
Electric Power Generation, Transmission and Distribution	2211	7	54%	73%	79%	71%	221	Utilities
Natural Gas Distribution	2212	5	38%	16%	9%	21%	221	Utilities
Water, Sewage and Other Systems	2213	1	8%	11%	12%	7%	221	Utilities
Nonresidential Building Construction	2362	1	100%	100%	100%	0%	236	Construction of Buildings
Utility System Construction	2371	0	0%	100%	100%	75%	237	Heavy and Civil Engineering Construction
Other Heavy and Civil Engineering Construction	2379	0	0%	0%	0%	25%	237	Heavy and Civil Engineering Construction
Foundation, Structure, and Building Exterior Contractors	2381	0	0%	50%	50%	0%	238	Specialty Trade Contractors
Building Equipment Contractors	2382	1	100%	50%	50%	100%	238	Specialty Trade Contractors
Animal Slaughtering and Processing	3116	0	0%	100%	100%	0%	311	Food Manufacturing
Textile and Fabric Finishing and Fabric Coating Mills	3133	1	100%	100%	0%	0%	313	Textile Mills
Textile Furnishings Mills	3141	0	0%	0%	0%	0%	314	Textile Product Mills
Other Textile Product Mills	3149	0	0%	100%	100%	100%	314	Textile Product Mills
Footwear Manufacturing	3162	0	0%	100%	100%	100%	316	Leather and Allied Product Manufacturing

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Printing and Related Support Activities	3231	1	100%	100%	0%	0%	323	Printing and Related Support Activities
Petroleum and Coal Products Manufacturing	3241	1	100%	100%	100%	100%	324	Petroleum and Coal Products
Basic Chemical Manufacturing	3251	1	14%	9%	0%	17%	325	Chemical
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	3252	0	0%	9%	25%	17%	325	Chemical
Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing	3253	1	14%	9%	0%	17%	325	Chemical
Pharmaceutical and Medicine Manufacturing	3254	4	57%	45%	25%	17%	325	Chemical
Paint, Coating, and Adhesive Manufacturing	3255	0	0%	9%	25%	17%	325	Chemical
Other Chemical Product and Preparation Manufacturing	3259	1	14%	18%	25%	17%	325	Chemical
Plastics Product Manufacturing	3261	3	60%	71%	100%	0%	326	Plastics and Rubber Products
Rubber Product Manufacturing	3262	2	40%	29%	0%	0%	326	Plastics and Rubber Products
Glass and Glass Product Manufacturing	3272	1	100%	50%	0%	0%	327	Nonmetallic Mineral Products
Other Nonmetallic Mineral Product Manufacturing	3279	0	0%	50%	100%	0%	327	Nonmetallic Mineral Products
Nonferrous Metal (except Aluminum) Production and Processing	3314	0	0%	0%	100%	100%	331	Primary Metal
Forging and Stamping	3321	0	0%	14%	13%	0%	332	Fabricated Metal Product

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Boiler, Tank, and Shipping Container Manufacturing	3324	0	0%	14%	13%	0%	332	Fabricated Metal Product
Machine Shops; Turned Product; and Screw, Nut, & Bolt Manufacturing	3327	0	0%	43%	63%	75%	332	Fabricated Metal Product
Other Fabricated Metal Product Manufacturing	3329	1	100%	29%	13%	25%	332	Fabricated Metal Product
Agriculture, Construction, and Mining Machinery Manufacturing	3331	0	0%	0%	0%	0%	333	Machinery
Industrial Machinery Manufacturing	3332	2	22%	24%	20%	17%	333	Machinery
Commercial and Service Industry Machinery Manufacturing	3333	4	44%	24%	7%	25%	333	Machinery
Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing	3334	1	11%	5%	0%	0%	333	Machinery
Metalworking Machinery Manufacturing	3335	0	0%	10%	13%	8%	333	Machinery
Engine, Turbine, and Power Transmission Equipment Manufacturing	3336	2	22%	29%	47%	42%	333	Machinery
Other General Purpose Machinery Manufacturing	3339	0	0%	10%	13%	8%	333	Machinery
Computer and Peripheral Equipment Manufacturing	3341	4	14%	8%	5%	8%	334	Computer and Electronic Product

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Communications Equipment Manufacturing	3342	4	14%	18%	23%	29%	334	Computer and Electronic Product
Audio and Video Equipment Manufacturing	3343	0	0%	0%	0%	0%	334	Computer and Electronic Product
Semiconductor and Other Electronic Component Manufacturing	3344	12	41%	46%	39%	34%	334	Computer and Electronic Product
Navigation, Measuring, Electromedical, and Control Instruments Manufacturing	3345	9	31%	28%	31%	28%	334	Computer and Electronic Product
Manufacturing and Reproducing Magnetic and Optical Media	3346	0	0%	0%	2%	2%	334	Computer and Electronic Product
Electric Lighting Equipment Manufacturing	3351	0	0%	9%	7%	0%	335	Electrical Equipment, Appliance, and Component
Electrical Equipment Manufacturing	3353	1	25%	18%	21%	29%	335	Electrical Equipment, Appliance, and Component
Other Electrical Equipment and Component Manufacturing	3359	3	75%	73%	71%	71%	335	Electrical Equipment, Appliance, and Component
Motor Vehicle Manufacturing	3361	0	0%	18%	18%	9%	336	Transportation Equipment
Motor Vehicle Parts Manufacturing	3363	3	33%	24%	24%	22%	336	Transportation Equipment
Aerospace Product and Parts Manufacturing	3364	6	67%	59%	59%	70%	336	Transportation Equipment
Railroad Rolling Stock Manufacturing	3365	0	0%	0%	0%	0%	336	Transportation Equipment
Ship and Boat Building	3366	0	0%	12%	12%	9%	336	Transportation Equipment
Other Miscellaneous Manufacturing	3399	1	100%	100%	100%	100%	339	Miscellaneous

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Professional and Commercial Equipment and Supplies Merchant Wholesalers	4234	0	0%	33%	33%	33%	423	Merchant Wholesalers, Durable Goods
Household Appliances and Electrical and Electronic Goods Merchant Wholesalers	4236	0	0%	67%	50%	33%	423	Merchant Wholesalers, Durable Goods
Machinery, Equipment, and Supplies Merchant Wholesalers	4238	0	0%	0%	17%	33%	423	Merchant Wholesalers, Durable Goods
Farm Product Raw Material Merchant Wholesalers	4245	1	33%	40%	33%	33%	424	Merchant Wholesalers, Nondurables Goods
Petroleum and Petroleum Products Merchant Wholesalers	4247	2	67%	60%	67%	67%	424	Merchant Wholesalers, Nondurables Goods
Nonscheduled Air Transportation	4812	0	0%	0%	0%	100%	481	Air Transportation
Deep Sea, Coastal, and Great Lakes Water Transportation	4831	1	100%	100%	100%	100%	483	Water Transportation
Urban Transit Systems	4851	0	0%	0%	0%	100%	485	Transit and Ground Passenger Transportation
Pipeline Transportation of Crude Oil	4861	0	0%	50%	50%	0%	486	Pipeline Transportation
Pipeline Transportation of Natural Gas	4862	1	100%	50%	50%	50%	486	Pipeline Transportation
Other Pipeline Transportation	4869	0	0%	0%	0%	50%	486	Pipeline Transportation
Support Activities for Air Transportation	4881	3	38%	50%	62%	70%	488	Support Activities for Transportation
Support Activities for Water Transportation	4883	5	63%	50%	38%	20%	488	Support Activities for Transportation
Freight Transportation Arrangement	4885	0	0%	0%	0%	10%	488	Support Activities for Transportation

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Warehousing and Storage	4931	1	100%	100%	100%	0%	493	Warehouse and Storage
Software Publishers	5112	9	100%	100%	100%	100%	511	Publishing Industries (except Internet)
Motion Picture and Video Industries	5121	0	0%	100%	100%	100%	512	Motion Picture and Sound Recording Industries
Wired Telecommunications Carriers	5171	2	67%	64%	43%	31%	517	Telecommunications
Wireless Telecommunications Carriers (except Satellite)	5172	0	0%	9%	7%	8%	517	Telecommunications
Satellite Telecommunications	5174	0	0%	18%	43%	38%	517	Telecommunications
Other Telecommunications	5179	1	33%	9%	7%	23%	517	Telecommunications
Data Processing, Hosting, and Related Services	5182	1	100%	100%	100%	0%	518	Data Processing, Hosting, and Related Services
Other Information Services	5191	0	0%	50%	100%	100%	519	Other Information Services
Depository Credit Intermediation	5221	0	0%	0%	33%	50%	522	Credit Intermediation and Related Activities
Activities Related to Credit Intermediation	5223	0	0%	100%	67%	50%	522	Credit Intermediation and Related Activities
Securities and Commodity Contracts Intermediation and Brokerage	5231	1	100%	100%	50%	33%	523	Securities, Commodities Contracts, and Other Financial Investments and Related Activities
Securities and Commodity Exchanges	5232	0	0%	0%	50%	33%	523	Securities, Commodities Contracts, and Other Financial Investments and Related Activities

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Other Financial Investment Activities	5239	0	0%	0%	0%	33%	523	Securities, Commodities Contracts, and Other Financial Investments and Related Activities
Lessors of Real Estate	5311	3	75%	88%	100%	100%	531	Real Estate
Activities Related to Real Estate	5313	1	25%	13%	0%	0%	531	Real Estate
Automotive Equipment Rental and Leasing	5321	0	0%	13%	17%	0%	532	Rental and Leasing Services
Commercial and Industrial Machinery and Equipment Rental and Leasing	5324	2	100%	88%	83%	100%	532	Rental and Leasing Services
Architectural, Engineering, and Related Services	5413	6	43%	28%	21%	28%	541	Professional, Scientific, and Technical Services
Specialized Design Services	5414	0	0%	2%	2%	2%	541	Professional, Scientific, and Technical Services
Computer Systems Design and Related Services	5415	4	29%	32%	38%	35%	541	Professional, Scientific, and Technical Services
Management, Scientific, and Technical Consulting Services	5416	1	7%	14%	18%	15%	541	Professional, Scientific, and Technical Services
Scientific Research and Development Services	5417	2	14%	16%	14%	13%	541	Professional, Scientific, and Technical Services
Other Professional, Scientific, and Technical Services	5419	1	7%	4%	4%	3%	541	Professional, Scientific, and Technical Services
Office Administrative Services	5611	0	0%	0%	0%	0%	561	Administrative and Support Staff
Facilities Support Services	5612	1	50%	14%	0%	17%	561	Administrative and Support Staff
Travel Arrangement and Reservation Services	5615	1	50%	14%	0%	0%	561	Administrative and Support Staff

4-Digit NAIC Code Table	NAICS Code	Number of Notices 2014	% of 3-Digit Corresponding NAICs Code				3-Digit NAIC	3-Digit NAIC Category
			2014	2012-14	2011-13	2010-12		
Investigation and Security Services	5616	0	0%	71%	100%	83%	561	Administrative and Support Staff
Waste Treatment and Disposal	5622	1	100%	100%	100%	100%	562	Waste Management and Remediation Services
Traveler Accommodation	7211	1	100%	100%	0%	0%	721	Traveler Accommodation
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	8113	0	0%	100%	100%	100%	811	Repair and Maintenance

Table I-8: Covered Transactions by Business Sector of U.S. Companies, 2010-2014

2. Covered Transactions by Country or Economy: 2012-2014

Table I-9 breaks down the notices of covered transactions from 2012 through 2014 by country or economy and year. Acquisitions by investors from China accounted for the largest share of the notices filed for the three-year period with 19 percent (68 notices), up from 17 percent of all notices for the 2011 to 2013 period. Chinese investors also accounted for the most notices filed each year from 2012 to 2014 (23, 21, and 24 notices, respectively). Investors from the United Kingdom (UK) were close behind with 13 percent (45 notices, including two notices from acquirers with joint UK and U.S. owners), down from 15 percent of all notices for the 2011 to 2013 period. From 2012 to 2014, investors from Canada and Japan accounted for 11 percent (40 notices) and 10 percent (37 notices) of notices filed with CFIUS. France accounted for six percent over the period (21 notices). In 2014, notices from Germany, Israel, the Netherlands, South Korea, Switzerland, and the United Kingdom at least doubled from their 2013 levels.

Covered Transactions by Acquirer Home Country/Economy, 2012-2014				
Country/Economy	2012	2013	2014	Total
Australia	3	0	4	7
Brazil	2	1	0	3
British Virgin Islands	0	0	1	1
Canada	13	12	15	40
Cayman Islands	0	1	3	4
Chile	0	1	0	1
China	23	21	24	68
Denmark	2	0	0	2
Finland	0	0	1	1
France	8	7	6	21
Germany	4	4	9	17
Hong Kong	2	1	6	9
India	4	1	2	7
Indonesia	0	0	1	1
Ireland	0	1	1	2
Israel	4	1	5	10
Italy	1	0	0	1
Japan	9	18	10	37
Liechtenstein	0	0	1	1
Luxembourg	0	1	0	1
Mexico	0	2	0	2
Netherlands	6	1	8	15
New Zealand	0	0	0	0
Norway	1	1	1	3
Qatar	0	0	1	1
Russian Federation	2	1	1	4
Saudi Arabia	0	2	1	3
Singapore	2	3	6	11
South Korea	2	1	7	10
Spain	2	1	2	5
Sweden	2	2	2	6
Switzerland	5	3	7	15
Taiwan	0	1	0	1
United Arab Emirates	0	2	1	3
United Kingdom	17	7	21	45
Grand Total	114	97	147	358

Table I-9: Covered Transactions by Country or Economy: 2012-2014

Table I-10 shows the concentration of notices by country in each of four industry sectors from 2012 through 2014. Overall, manufacturing accounted for 42 percent of all notices from 2012 to 2014, the finance, information, and services (FIS) sector accounted for 30 percent, the mining, utilities, and construction (MUC) sector accounted for 19 percent, and the wholesale, retail, and transportation (WRT) sector accounted for nine percent. Notices from China, Japan, and the United Kingdom, which accounted for 42 percent of the notices from 2012 to 2014, were generally consistent with this overall distribution across sectors.

By contrast, French, German, Israeli, and Swiss notices were more heavily concentrated in the manufacturing sector (57, 59, 80, and 87 percent, respectively). Australian, German, Dutch, and South Korean notices were more heavily concentrated in the FIS sector (43, 41, 60, and 40 percent, respectively). Australian and Canadian notices were more heavily concentrated in the MUC sector (43 and 50 percent, respectively). Finally, Canadian and Singaporean notices were more heavily concentrated in the WRT sector (25 and 27 percent, respectively).

Covered Transactions by Acquirer Home Country/Economy and Target Sector, 2012-2014					
Country/Economy	Manufacturing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale, Retail, and Transportation	Total
Australia	0	3	3	1	7
Brazil	0	2	0	1	3
British Virgin Islands	0	0	1	0	1
Canada	4	6	20	10	40
Cayman Islands	1	2	1	0	4
Chile	0	0	1	0	1
China	33	13	19	3	68
Denmark	0	0	1	1	2
Finland	0	0	1	0	1
France	12	6	0	3	21
Germany	10	7	0	0	17
Hong Kong	5	4	0	0	9
India	3	4	0	0	7
Indonesia	0	0	1	0	1
Ireland	1	1	0	0	2
Israel	8	2	0	0	10
Italy	1	0	0	0	1
Japan	18	10	5	4	37
Liechtenstein	0	0	0	1	1
Luxembourg	1	0	0	0	1
Mexico	0	0	1	1	2
Netherlands	4	9	2	0	15
New Zealand	0	0	0	0	0
Norway	1	2	0	0	3
Qatar	0	1	0	0	1
Russian Federation	1	2	0	1	4
Saudi Arabia	2	1	0	0	3
Singapore	2	3	3	3	11
Spain	2	2	1	0	5
South Korea	4	4	2	0	10
Sweden	3	3	0	0	6
Switzerland	13	2	0	0	15
Taiwan	1	0	0	0	1
United Arab Emirates	1	1	1	0	3
United Kingdom	20	16	5	4	45
Total	151	106	68	33	358

Table I-10: Covered Transactions by Country or Economy and Target Sector: 2010-2014

D. Withdrawn Notices

Parties can withdraw an accepted notice of a transaction if the Committee approves a written request for withdrawal from the parties. Parties have requested withdrawals for a number of reasons over the years. For example, in some cases where the parties are unable to address all of the Committee's outstanding national security concerns within the initial 30-day review period or 45-day investigation period, the parties might request to withdraw and re-file their notice to provide themselves with additional time to answer remaining questions or to resolve the remaining national security concerns. In other cases, the parties might request to withdraw and re-file their notice because a material change in the terms of the transaction warrants the filing of a new notice. In still other cases, the parties might request to withdraw their notice because they are abandoning the transaction for commercial reasons, or because the parties do not want to abide by CFIUS's proposed mitigation, or in light of a CFIUS determination to recommend that the President suspend or prohibit the transaction. When appropriate, the Committee has established processes 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 withdrawn transaction.

In 2014, CFIUS approved the withdrawal of twelve notices. The parties withdrew three notices during the 30-day review period and nine notices after the commencement of the 45-day investigation period. In one of these cases, the parties filed a new notice in 2015.

E. Mitigation Measures

From 2012 through 2014, 29 cases (eight percent) resulted in the use of legally binding mitigation measures. In 2014, CFIUS mitigation measures were applied to nine different covered transactions (six percent of total 2014 transactions). These measures involved acquisitions of U.S. companies engaged in the software, services, and technology industries. Five CFIUS agencies served as the U.S. Government (USG) signatories to these measures.

The Committee has adopted procedures to evaluate and ensure that parties to a covered transaction remain in compliance with any risk mitigation measure under section 721 that CFIUS negotiates with or imposes on the parties. For all mitigation measures executed since FINSA became effective, Treasury, as Chair of CFIUS, has designated each USG signatory to a mitigation measure as a lead agency for monitoring compliance with that 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 also 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.

Mitigation measures negotiated and adopted in 2014 required the businesses involved to take specific and verifiable actions, including, for example:

- Ensuring that only authorized persons have access to certain technology and information.
- Establishing a Corporate Security Committee and other mechanisms to ensure compliance with all required actions, including the appointment of a USG-approved security officer or member of the board of directors and requirements for security policies, annual reports, and independent audits.
- Establishing guidelines and terms for handling existing or future USG contracts, USG customer information and other sensitive information.
- Ensuring only U.S. citizens handle certain products and services, and ensuring that certain activities and products are located only in the United States.
- Notifying security officers or relevant USG parties in advance of foreign national visits to the U.S. business for approval.
- Notifying relevant USG parties of any awareness of any vulnerability or security incidents.
- Providing the USG with the right to review certain business decisions and object if they raise national security concerns.

CFIUS agencies use a variety of means to monitor and enforce compliance by the companies that are subject to the measures, 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 measures;
- investigations and remedial actions if anomalies or breaches are discovered or suspected.

In light of the number and complexity of mitigation measures implemented to date, individual CFIUS agencies monitor compliance through a number of internal procedures, including:

- assigning staff responsibilities for the monitoring of compliance;
- designing tracking systems to monitor required reports;
- instituting internal instructions and procedures to ensure that in-house expertise is drawn upon to analyze compliance with measures.

F. Perceived Adverse Effects of Covered Transactions

Section 721(m) requires that this Annual 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 if there are 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 had thus far reviewed presented 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. Among the considerations presented by transactions reviewed by CFIUS are the following:

- Foreign control of U.S. businesses that:
 - Provide products and services to an agency or agencies of the U.S. Government, or state and local authorities that have functions that are relevant to national security.
 - Provide products or services that could expose national security vulnerabilities, including potential cyber security concerns, or create vulnerability to sabotage or espionage. This includes consideration of whether the covered transaction will increase the risk of exploitation of the particular U.S. business's position in the supply chain.
 - 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 that involve various aspects of energy production, including extraction, generation, transmission, and distribution; 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 or sensitive government or government contract information, including information about employees.
 - Are in the defense, security, and national security-related law enforcement sectors.
 - Are involved in activities related to weapons and munitions manufacturing, aerospace, satellite, 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.
 - Are in proximity to certain types of USG facilities.
- 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 historical records of taking or intentions to take actions that could impair U.S. national security.

CFIUS reviews all relevant national security considerations and the particular facts and circumstances of transactions to determine whether the transaction will pose a national security risk. Among the factors that CFIUS takes into account are the following, 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;
 - 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) of section 721;
- 9) as appropriate, and particularly with respect to transactions requiring an investigation under subsection (b)(1)(B) of section 721, 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 continue to 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: CRITICAL TECHNOLOGIES

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. Section 721(m)(3) requires the annual report to include:

- (i) an evaluation of whether there is credible evidence of a coordinated strategy by one 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.

Subsection II-A provides the assessment of the U.S. Intelligence Community (USIC) addressing the requirement laid out in (i), and subsection II-B provides the assessment of the USIC addressing the requirement laid out in (ii).

Definitions & Methodologies

The definition of “critical technologies”, which includes technologies subject to certain U.S. export controls, is set forth in 31 C.F.R. § 800.209, Regulations Pertaining to Mergers, Acquisitions, and Takeovers by Foreign Persons (the “CFIUS regulations”), published in the Federal Register on November 21, 2008. See the Appendix for this definition. “Critical technology companies” are U.S. companies that CFIUS identified for this section of the report involved in research, development or production of critical technologies. The definition of “coordinated strategy” for purposes of this section of the report follows below and is provided in the Appendix, which also describes the methodology and data sources used to identify transactions involving critical technology companies (“critical technology transactions”), and the approach used to conduct the analyses required by Section 721 related to critical technologies. Finally, the Appendix lists the agencies and other entities that participated in preparing this section of the report.

The following is the definition of “coordinated strategy” used in the Annual Reports:

- 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.

II-A. Whether There Is Credible Evidence of a Coordinated Strategy to Acquire Critical Technology Companies

1. Key Judgments

Based on its assessment of transactions identified by CFIUS for purposes of this report, the U.S. Intelligence Community (USIC) believes there may be an effort among foreign governments or companies to acquire U.S. companies involved in research, development, or production of critical technologies for which the United States is a leading producer. Information supporting this assessment is provided in the classified version of this report.

2. Summary of Foreign M&A Activity in the United States

Using the methodology described in the Appendix, CFIUS identified 108 completed foreign mergers with or acquisitions of U.S. critical technology companies involving acquirers from 28 countries and territories. CFIUS agencies and the USIC evaluated all 108 transactions for indications of a coordinated strategy, as defined for this report, to acquire U.S. critical technologies.

3. Frequency of Activity by Countries and Companies

Table II-1³ lists the originating countries for acquisitions of U.S. critical technology companies in 2014:

³ The number of transactions based on country involvement exceeds the total number of transactions due to some transactions involving more than one country.

Country	Solo Deals	Joint Deals	Total Deals
United Kingdom	16	6	22
Canada	8	1	9
France	7	0	7
Switzerland	6	2	8
China	6	1	7
Germany	6	1	7
Israel	6	0	6
Japan	5	0	5
Netherlands	4	3	7
India	3	0	3
Korea	3	0	3
Cayman Islands ⁴	2	3	5
Australia	2	0	2
Qatar	2	0	2
Singapore	2	0	2
Sweden	2	0	2
Ireland	1	1	2
Argentina	1	0	1
Mexico	1	0	1
South Africa	1	0	1
Spain	1	0	1
Hong Kong	0	3	3
Guernsey	0	2	2
Italy	0	2	2
Luxembourg	0	2	2
British Virgin Islands	0	1	1
Finland	0	1	1
Norway	0	1	1

Table II-1: Home Country of Foreign Acquirers of U.S. Critical Technology⁵

As shown in Figure II-2⁶, 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 and Electronics sectors.

⁴ The ultimate beneficial ownership could not be identified at the time of the publication.

⁵ The number of transactions in the table appears higher than the number of transactions reviewed for the annual report. This is due to the nature of joint transactions.

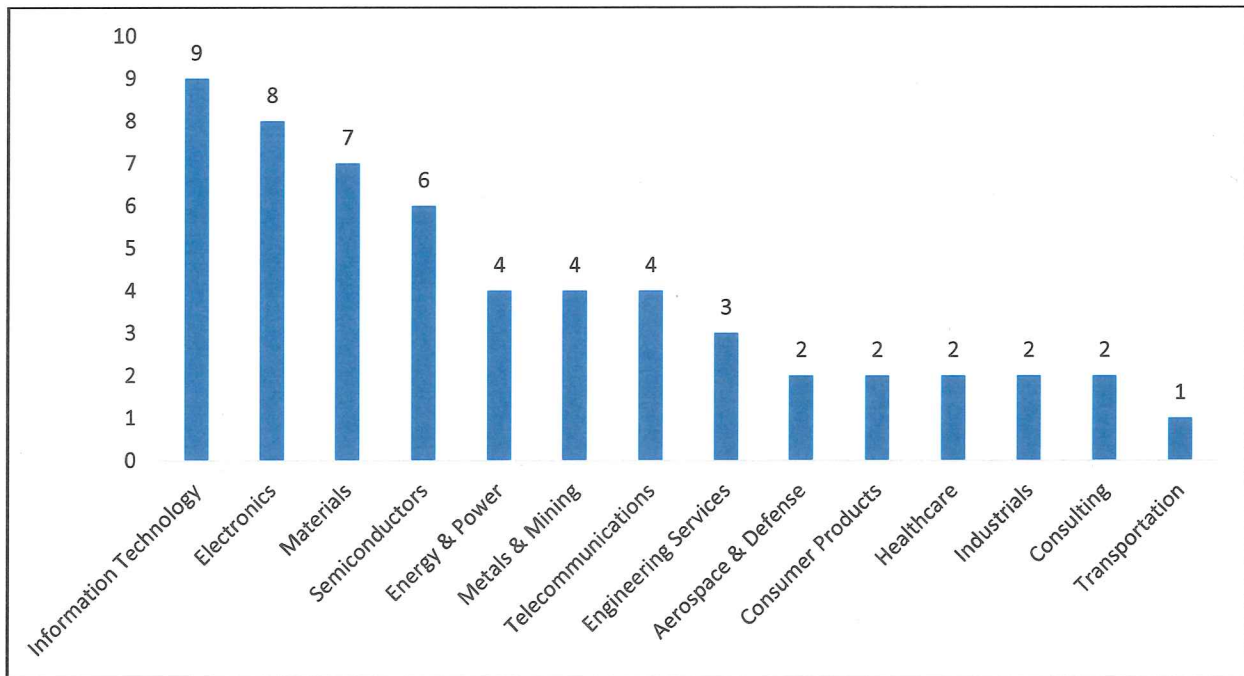


Figure II-2. Completed Transactions by Sector of U.S. Target Company

The data in this report can also be analyzed by the home region of the foreign acquirers. Figure II-3⁷ displays the data with the following regional breakdown:

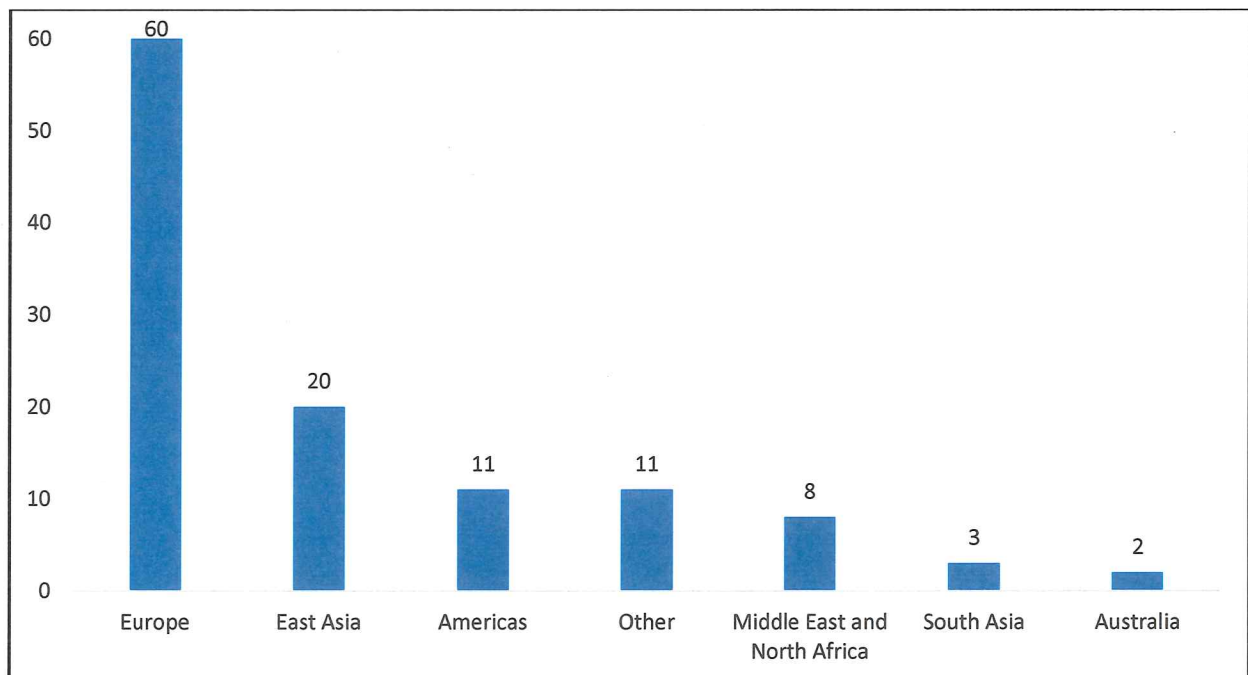


Figure II-3. Completed transactions in critical technologies by regions

⁷ The number of transactions based on country involvement exceeds the total number of transactions due to some transactions involving more than one country.

II-B. Whether Foreign Governments Used Espionage Activities to Obtain Commercial Secrets Related to Critical Technologies

1. Key Finding

The USIC judges that foreign governments are extremely likely to continue to use a range of collection methods to obtain critical U.S. technologies.

SECTION III: 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 FINSA, which 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.

A. Summary of Findings and Conclusions

- Mergers with and acquisitions of U.S. companies (M&A), the main form of foreign direct investment (FDI) into the United States, by investors from the countries described in section 7(c)(1) of FINSA that were completed between January 1, 2014, and December 31, 2014 (CY 2014) (“subject M&A transactions”), represent a small percentage of the total of such FDI flows into the United States.
- The value of subject M&A transactions with publicly reported values was \$2.8 billion. The total value of M&A transactions with publicly reported values by *all* foreign investors during CY 2014 exceeded \$99.1 billion.
 - As described in subsection III.C, not all publicly announced transactions are reported with dollar values, so the actual value of subject M&A transactions is more than \$2.8 billion.
- The subject M&A transactions spanned a number of economic sectors.
- With respect to each transaction covered by this report, CFIUS either reviewed and concluded action under section 721 with no unresolved national security concerns; had previously reviewed and concluded action on a transaction that gave the foreign acquirer control of the same U.S. business; or considered the transaction through

procedures that CFIUS agencies have put in place for transactions that are not notified to CFIUS.

B. Study Methodology

1. Identification of Relevant Countries

To identify relevant countries that comply with *any* boycott of Israel, as required by the statute, CFIUS considered the lists published by the Treasury Department in 2014 pursuant to section 999 of the Internal Revenue Code and the countries identified by the Department of State in reporting to Congress during 2014 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, CFIUS interprets the reporting requirement under section 7(c)(1)(A) of FINSA to apply to the following countries: Algeria, Iran, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Sudan, Syria, the United Arab Emirates, and Yemen.⁸

To identify relevant countries that do not ban foreign terrorist organizations, CFIUS interpreted section 7(c)(1)(B) of FINSA to apply to countries that were certified in 2014 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.⁹

2. Scope of FDI

Mergers with and acquisitions of U.S. companies are the main form of FDI into the United States and the form of FDI that CFIUS is authorized under section 721 to review. This section of the Annual Report considers the following transactions: (i) transactions notified to CFIUS under section 721; (ii) M&A transactions that were not notified to CFIUS (non-notified transactions) that CFIUS agencies considered through procedures that each agency has adopted for this purpose; and (iii) those M&A transactions that resulted in an ownership stake in a U.S. company of at least 10 percent,¹⁰ as listed the Thomson ONE database, which is a recognized financial database.

- *Thomson ONE database:* This database is a product of Thomson Reuters. The information on transactions provided in the database includes the date of the transaction, the respective countries of origin of the acquirer and the target company, and the sector of the target company.

In most cases, the database provides the transaction value and the percentage of ownership rights acquired through the transaction and, in some cases, the acquirer's total ownership stake after the transaction. The transactions considered for this section of the Annual Report

⁹ Cuba remained on the list in 2014, the year covered by this report, even though it was not on the list published on May 27, 2015.

¹⁰ FDI is generally understood to imply ownership of at least 10 percent, a benchmark used by many statistical agencies around the world, including the Department of Commerce's Bureau of Economic Analysis, the Council of Economic Advisors (Economic Report of the President), the International Monetary Fund, and the Organization for Economic Cooperation and Development. As noted in the description of the Thomson ONE database, these information sources did not always provide information regarding the acquirer's total ownership stake in the U.S. company after the transaction. Therefore, some of the transactions covered by this review may be portfolio investments rather than FDI.

excluded those that the Thomson ONE database shows resulted in an ownership stake in a U.S. company of less than 10 percent, where data on the interest acquired was available.

C. Detailed Findings

1. Identification of the Subject M&A Transactions

The study identified eight completed M&A transactions in CY 2014 by investors from countries that comply with any boycott of Israel. These transactions involved investors from Bahrain, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The study did not find any subject M&A transactions by investors from Cuba, Iran, Syria or Venezuela, which are countries identified in 2014 as not cooperating fully with U.S. antiterrorism efforts and which were subject to stringent economic sanctions during the relevant period.

The combined value of the five identified transactions with reported values is approximately \$2.8 billion. Thomson ONE reports M&A transaction value only in those cases in which the companies announce the value publicly. Thomson ONE did not report, and Treasury staff was unable to determine independently, values for three of the eight transactions analyzed in this section of the Annual Report. The value of the eleven total transactions, therefore, is necessarily greater than \$2.8 billion. Figure III-1 shows the number and aggregate value of the transactions for each of the relevant countries:

Country	Number of Transactions	Known Transaction Value (\$ million)
United Arab Emirates	3	\$2,267.1
Qatar	2	\$518
Saudi Arabia	1	\$7.7
Bahrain	1	N/A
Oman	1	\$53
Total	8	\$2,845.8

Table III-1: Aggregate Value of Transactions

The subject M&A transactions span several major sectors of the economy. Figure III-2 shows the industries represented by the eight transactions, noting both the number and value of transactions for each sector. Transactions in the manufacturing sector – the largest category represented – include transactions in the renewable energy manufacturing industry.

Sector	Number of Transactions	Known Transaction Value (\$ millions)
Energy and Power	2	\$2,143.1
Manufacturing	3	\$60.7
Services	1	\$518
Technology	2	\$124
Total	8	\$2,843.6

Table III-2: Industries Represented

2. National Security Effects of the Subject M&A Transactions

Each of the eight subject M&A transactions was either formally reviewed by CFIUS under section 721 or considered as part of the non-notified transaction procedures of CFIUS and CFIUS agencies. Pursuant to these procedures, CFIUS 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.

When a CFIUS agency believes that a non-notified transaction may be a covered transaction and may raise national security considerations, the agency may self-initiate a review of the transaction under section 721. Alternatively, if CFIUS believes that the transaction may raise national security considerations and may be a covered transaction, CFIUS may contact the parties and request further information about the transaction, partly to help determine whether the transaction is a covered transaction. If CFIUS makes such a determination, it may request that the parties file a notice. In most cases in which CFIUS has made inquiries of parties to transactions, the parties have responded by filing a voluntary notice. Consideration by CFIUS agencies of the subject M&A transactions so far has not resulted in requests for further information from or filings by the parties to the transactions.

APPENDIX

A. Definition of “Critical Technologies”

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 C.F.R. part 800, defines “critical technologies” with reference to U.S. export control regulations, which were determined to be the most reliable and accurate means of identifying critical technologies:

“§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 C.F.R. 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 C.F.R. 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 C.F.R. part 810), and nuclear facilities, equipment, and material specified in the Export and Import of Nuclear Equipment and Materials regulations (10 C.F.R. part 110); and
- (d) Select agents and toxins specified in the Select Agents and Toxins regulations (7 C.F.R. part 331, 9 C.F.R. part 121, and 42 C.F.R. part 73).”

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

The definition of critical technologies used in the CFIUS regulations is specific to those regulations. There is no single source that lists all U.S. critical technology companies acquired by foreign persons. Therefore, for purposes of Section II of the Annual 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 the U.S. critical technology companies that were acquired by or received significant investments from foreign investors in 2013. 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 Section II of this Annual Report is therefore limited. The various methodologies are described below.

31 C.F.R. § 800.209(a): (U) 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 C.F.R. parts 120-130).

Under the provisions of the ITAR, the Department of State regulates robust registration, licensing, and compliance processes for any person, whether U.S. or foreign, involved in the

export or temporary import of a defense article or defense service controlled by the ITAR. This approach assists in the identification of foreign acquisitions of U.S. critical technology companies that produce defense articles or services covered under the ITAR.

31 C.F.R. § 800.209(b): (U) This paragraph pertains to those items specified on the Department of Commerce's Control List (CCL), which is set forth in Supplement No. 1 to part 774 of the Export Administration Regulations (EAR) (15 C.F.R. parts 730-774). The items on the CCL 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 for reasons of regional stability or surreptitious listening.

Firms producing items under the regulations specified in this paragraph of 31 C.F.R. § 800.209 are not required to register with the Department of Commerce (Commerce), but, in many cases, must obtain a license from Commerce in order to export those items (including "deemed exports" to foreign nationals in the United States). To identify acquisitions of companies producing items that fall under this part of the definition, Commerce 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): (U) 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 C.F.R. part 810), and nuclear facilities, equipment, and material specified in the Export and Import of Nuclear Equipment and Materials regulations (10 C.F.R. part 110).

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

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

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

C. Analyzing the Acquisitions of U.S. Critical Technology Companies

CFIUS agencies addressed parts (i) and (ii) of section 721(m)(3) of the Defense Production Act of 1950 (50 U.S.C. App. 2170(m)(3)), as amended, by doing the following:

- Analyzing the pattern of M&A of U.S. critical technology companies during 2013, while also considering transactions in prior years, as appropriate.

¹¹ The M&A transactions were identified using the Thomson ONE database and S&P Capital IQ database.

¹² The Thomson ONE database and S&P Capital IQ database were used.

- CFIUS agencies concentrated on foreign direct investment through M&A 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 M&A transactions.
- 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.

D. Defining “Coordinated Strategy” for Purposes of Section II of this Annual Report

CFIUS agencies continue to use the following definition of “coordinated strategy”:

- 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.

E. Participating Agencies and Entities – Critical Technologies Section II

- Department of Commerce
 - Bureau of Industry and Security
 - International Trade Administration
 - National Telecommunications and Information Administration
- Department of Defense – Defense Technology Security Administration
- Department of Justice
- Department of State
 - Bureau of Economic 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

