

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

**ANNUAL REPORT
TO CONGRESS**

Report Period: CY 2015

PUBLIC / UNCLASSIFIED VERSION

CFIUS ANNUAL REPORT TO CONGRESS

Report Period: CY 2015

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The Committee on Foreign Investment in the United States (CFIUS)

CFIUS Authority and Composition

The Committee on Foreign Investment in the United States (CFIUS) is a government body authorized by law to review any merger, acquisition, or takeover that could result in control of a U.S. business by a foreign individual or entity. The review is solely to determine the effect of the transaction on the national security of the United States.

CFIUS members include the Departments of the Treasury (chair), State, Defense, Justice, Commerce, Energy, and Homeland Security; the Office of the United States Trade Representative; and the White House Office of Science and Technology Policy. The Office of the Director of National Intelligence is an ex-officio member, and five White House offices are observers. As needed to assess the national security effects of a transaction, CFIUS involves other federal government agencies in its reviews, such as the Departments of Transportation, Health and Human Services, and Agriculture.

CFIUS Process

Generally, parties voluntarily submit notices of transactions to CFIUS. By law, CFIUS does not publicly disclose information provided to CFIUS by parties to a transaction, nor does it reveal the fact that the parties have submitted the transaction for review. CFIUS also has the authority to review pending or completed transactions even absent a voluntary notice, if CFIUS determines that the transaction could raise national security concerns.

By law, CFIUS must complete a "review" of a notified transaction within 30 days. CFIUS may initiate an "investigation" that may last up to 45 additional days if CFIUS determines that it needs additional time to complete its assessment.

CFIUS will clear the transaction to proceed if it determines that the transaction does not pose any national security concerns, that any national security concerns are adequately addressed by other laws, or that mitigation measures agreed or imposed by CFIUS resolve any national security concerns. If CFIUS determines that the transaction poses national security concerns that cannot be resolved, it will refer the transaction to the President, unless the parties choose to abandon the transaction. The President may suspend or prohibit the transaction, including by requiring divestment. By law, the President has 15 days after completion of CFIUS's investigation to decide. The President must publicly announce his decision.

CFIUS will seek mitigation measures or refer a transaction to the President only after such action is justified in a detailed written analysis of the national security risk posed by the transaction. CFIUS determinations are confirmed at senior levels by all CFIUS member agencies.

With limited exceptions, any transaction submitted to CFIUS for review that CFIUS then determines may proceed receives "safe harbor." This means that CFIUS and the President will not subject the transaction to review again.

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. § 4565), as amended by the Foreign Investment and National Security Act of 2007, or "FINSAs" (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 Regarding 2015 Covered Transactions

CFIUS determined that 143 notices of transactions filed in 2015 were covered transactions under section 721.

- CFIUS conducted a “review” with respect to the 143 notices of covered transactions filed with CFIUS.
- CFIUS also conducted a subsequent “investigation” with respect to 66 of those 143 notices.
- CFIUS concluded action on 11 of the 143 notices after adopting mitigation measures pursuant to section 721 to resolve national security concerns.
- Thirteen of the 143 notices were withdrawn. In eight of these instances, the parties filed a new notice in 2015. In one instance, the parties filed a new notice in 2016. In three instances, the parties withdrew their notice and abandoned their transaction after CFIUS informed them that it was unable to identify mitigation measures that would resolve its national security concerns or CFIUS proposed mitigation terms that the parties chose not to accept. In one instance, the parties withdrew their notice and abandoned the transaction for commercial reasons unrelated to CFIUS review.
- One of the 143 notices was rejected.

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

In the years 2009 through 2015, companies filed 770 notices of transactions that CFIUS determined to be covered transactions under section 721. About three percent (23 notices) of such notices were withdrawn during the review stage, seven percent (57 notices) were withdrawn during the investigation stage, and 40 percent (310 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 2015 in the number of notices filed with CFIUS. As shown in Table I-1, the number of notices increased from 65 in 2009 to 143 in 2015. The trend peaked in 2014 with 147 notices, and decreased only twice, in 2013 and 2015. While the percentage of notices proceeding to investigation increased between 2014 and 2015 from 35 percent to 46 percent, the percentage of notices proceeding to investigation remained below the historical high of 49 percent in 2013.

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.

Table I-1. Covered Transactions, Withdrawals, and Presidential Decisions, 2009-2015

Covered Transactions, Withdrawals, and Presidential Decisions* 2009-2015					
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
2015	143	3	66	10	0
Total	770	23	310	57	1

*See Section 1-D on page 20 for a discussion of reasons by which parties may seek to withdraw a notice.

C. Covered Transactions by Business Sector and Country

1. Covered Transactions by Business Sector of U.S. Companies, 2009-2015

The notices of covered transactions filed with CFIUS during the 2009 to 2015 period involved a wide range of industrial sectors.² Nearly three quarters of such notices were in the Manufacturing (325, or 42 percent) and the Finance, Information, and Services sectors (243, or 32 percent). The remainder of notices were in the Mining, Utilities, and Construction sector (137, or 18 percent) and the Wholesale Trade, Retail Trade, and Transportation sector (65, 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.

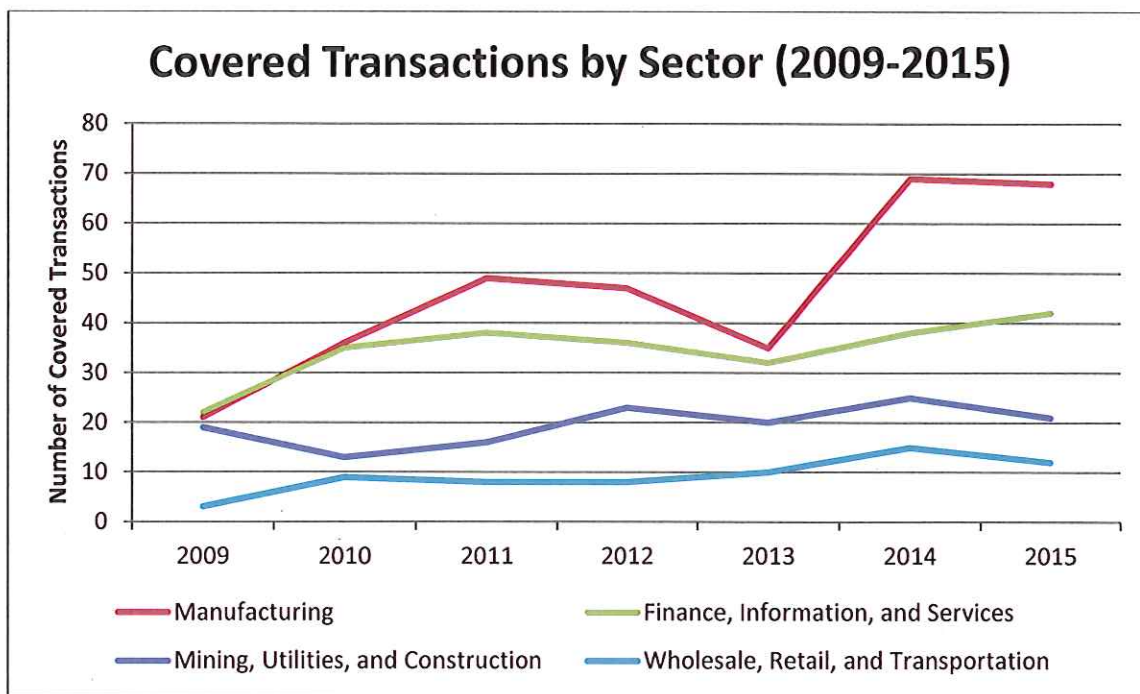
The table and chart on the next page provide a breakdown by sector and by year of the 770 notices of covered transactions cumulatively filed with CFIUS from 2009 through 2015. The data below show that just as in 2013 and 2014, the greatest number of filings in 2015 occurred in the Manufacturing sector followed by the Finance, Information, and Services sector. The percentage of notices in the Manufacturing sector increased in 2014 (from 36 percent to 47 percent) and held constant in 2015 (from 47 percent to 48 percent). The percentage of notices in the Finance, Information, and Services sector decreased from 2013 to 2014 (from 33 percent to 26 percent), but increased in 2015 (from 26 percent to 29 percent). The percentage of notices in the Mining, Utilities, and Construction sector decreased slightly from 2014 to 2015 (from 17 percent to 15 percent). The percentage of notices in the Wholesale Trade, Retail Trade, and Transportation sector decreased to eight percent from a two year rate of 10 percent.

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.

Table I-2. Covered Transactions by Sector and Year, 2009-2015

Covered Transaction by Sector and Year, 2009-2015					
Year	Manufacturing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale Trade, Retail Trade, 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
2015	68 (48%)	42 (29%)	21 (15%)	12 (8%)	143
Total	325 (42%)	243 (32%)	137 (18%)	65 (8%)	770

Graph I-1. Covered Transactions by Sector and Year (2009-2015)



Manufacturing Sector

Manufacturing accounted for 48 percent (68 notices) of all notices filed with CFIUS during 2015. The Manufacturing subsector with the largest number of notices was again Computer and Electronic Product Manufacturing with 33 (49 percent). Other significant subsectors were Chemical, Machinery, and Transportation Equipment Manufacturing with eight notices each. Of these three, the Chemical Manufacturing subsector experienced the largest increase in notices from 2014 to 2015 (from 9 percent to 12 percent).

Table I-3. Covered Transactions from the Manufacturing Sector, 2011-2015

Manufacturing	NAICS Code	Number of Notices 2015	% of Total Manufacturing			
			2015	2013-15	2012-14	2011-13
Food Manufacturing	311	0	0%	1%	1%	1%
Textile Mills	313	1	1%	1%	1%	0%
Textile Product Mills	314	1	1%	1%	1%	1%
Apparel Manufacturing	315	1	1%	1%	0%	0%
Leather and Allied Product Manufacturing	316	0	0%	0%	1%	1%
Printing and Related Support Activities	323	0	0%	1%	1%	0%
Petroleum and Coal Products Manufacturing	324	0	0%	1%	1%	1%
Chemical Manufacturing	325	8	12%	9%	7%	3%
Plastics and Rubber Products Manufacturing	326	3	4%	6%	5%	2%
Nonmetallic Mineral Product Manufacturing	327	0	0%	1%	1%	1%
Primary Metal Manufacturing	331	0	0%	0%	0%	1%
Fabricated Metal Product Manufacturing	332	1	1%	4%	5%	6%
Machinery Manufacturing	333	8	12%	13%	13%	11%
Computer and Electronic Product Manufacturing	334	33	49%	43%	42%	46%
Electrical Equipment, Appliance, and Component Manufacturing	335	2	3%	5%	7%	11%
Transportation Equipment Manufacturing	336	8	12%	12%	11%	13%
Miscellaneous Manufacturing	339	2	3%	2%	1%	1%

Finance, Information, and Services Sector

The Finance, Information, and Services sector accounted for 29 percent (42 notices) of all notices filed with CFIUS during 2015. Professional, Scientific, and Technical Services continued to make up the majority of the notices filed in this sector (12 notices). The Telecommunications subsector experienced the largest percent increase in filings (from eight percent of total Finance, Information, and Services sector notices in 2014 to 17 percent in 2015). The Professional, Scientific, and Technical Services subsector had the largest percent decrease (from 37 percent of the notices in this sector in 2014 to only 29 percent in 2015).

Table I-4. Covered Transactions from the Finance, Information, and Services Sector, 2011-2015

Finance, Information, and Services	NAICS Code	Number of Notices 2015	% of Total Finance, Information, and Services			
			2015	2013-15	2012-14	2011-13
Publishing Industries (except Internet)	511	9	21%	18%	12%	11%
Motion Picture and Sound Recording Industries	512	0	0%	0%	1%	1%
Telecommunications	517	7	17%	13%	10%	13%
Data Processing, Hosting, and Related Services	518	2	5%	4%	3%	2%
Other Information Services	519	0	0%	1%	2%	1%
Credit Intermediation and Related Activities	522	0	0%	1%	2%	3%
Securities, Commodity Contracts, and Other Financial Investments and Related Activities	523	0	0%	1%	1%	2%
Insurance Carriers and Related Activities	524	3	7%	3%	0%	0%
Real Estate	531	4	10%	7%	8%	4%
Rental and Leasing Services	532	0	0%	6%	8%	6%
Professional, Scientific, and Technical Services	541	12	29%	37%	47%	53%
Administrative and Support Services	561	3	7%	7%	7%	5%
Waste Management and Remediation Services	562	1	2%	2%	1%	1%
Ambulatory Health Care Services	621	1	2%	1%	0%	0%
Repair and Maintenance	811	0	0%	0%	1%	1%

Mining, Utilities, and Construction Sector

The Mining, Utilities, and Construction sector accounted for 15 percent (21 notices) of all notices filed with CFIUS during 2015. The Utilities subsector made up over half of this sector with 11 notices while still accounting for 52 percent of the total Mining, Utilities, and Construction sector notices, the same percentage as 2014. The Forestry and Logging and Oil and Gas Extraction subsectors experienced the largest percentage decreases of eight percent and six percent, respectively.

Table I-5. Covered Transactions from the Mining, Utilities, and Construction Sector, 2011-2015

Mining, Utilities, and Construction (MUC)	NAICS Code	Number of Notices 2015	% of Total MUC			
			2015	2013-15	2012-14	2011-13
Forestry and Logging	113	0	0%	3%	3%	0%
Oil and Gas Extraction	211	3	14%	15%	15%	15%
Mining (except Oil and Gas)	212	3	14%	14%	15%	12%
Support Activities for Mining	213	2	10%	5%	4%	7%
Utilities	221	11	52%	55%	54%	56%
Construction of Buildings	236	1	5%	5%	3%	2%
Heavy and Civil Engineering Construction	237	1	5%	2%	3%	5%
Specialty Trade Contractors	238	0	0%	3%	3%	3%

Wholesale Trade, Retail Trade, and Transportation Sector

The Wholesale Trade, Retail Trade, and Transportation sector accounted for eight percent (12 notices) of all notices of covered transactions filed with CFIUS during 2015. The Support Activities for Transportation subsector experienced the largest decrease in the number of filings from eight in 2014 (53 percent) to three in 2015 (25 percent). The Merchant Wholesalers, Durable Goods subsector had the highest percentage increase at 25 percent as a result of three notices being filed.

Table I-6. Covered Transactions from the Wholesale, Retail, and Transportation Sector, 2011-2015

Wholesale Trade, Retail Trade, and Transportation	NAICS Code	Number of Notices 2015	% of Total Wholesale Trade, Retail Trade, and Transportation			
			2015	2013-15	2012-14	2011-13
Merchant Wholesalers, Durable Goods	423	3	25%	14%	9%	23%
Merchant Wholesalers, Nondurable Goods	424	2	17%	14%	15%	12%
Motor Vehicle and Parts Dealers	441	1	8%	3%	0%	0%
Air Transportation	481	0	0%	0%	0%	0%
Water Transportation	483	0	0%	3%	6%	8%
Truck Transportation	484	2	17%	5%	0%	0%
Transit and Ground Passenger Transportation	485	0	0%	0%	0%	0%
Pipeline Transportation	486	0	0%	5%	6%	8%
Support Activities for Transportation	488	3	25%	46%	55%	50%
Couriers and Messengers	492	1	8%	3%	0%	0%
Warehousing and Storage	493	0	0%	5%	6%	4%
Accommodation	721	0	0%	3%	3%	0%

Covered Transactions by Business Sector of
U.S. Companies, 2011-2015

Table I-7 on the following pages provides a breakdown by subsector and by year for the covered transactions cumulatively filed with CFIUS from 2011 through 2015.

Table I-7. Covered Transactions by Business Sector of U.S. Companies, 2011-2015

4-Digit NAIC Code Table	NAICS Code	Number of 2015 Notices	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2015	2013-15	2012-14	2011-13		
Oil and Gas Extraction	2111	3	100%	30%	30%	33%	211	Oil and Gas Extraction
Metal Ore Mining	2122	2	67%	22%	20%	29%	212	Mining (except Oil and Gas)
Nonmetallic Mineral Mining and Quarrying	2123	1	33%	11%	10%	14%	212	Mining (except Oil and Gas)
Support Activities for Mining	2131	2	100%	67%	67%	50%	213	Support Activities for Mining
Electric Power Generation, Transmission and Distribution	2211	11	100%	31%	30%	33%	221	Utilities
Nonresidential Building Construction	2362	1	100%	33%	50%	100%	236	Construction of Buildings
Utility System Construction	2371	1	100%	100%	50%	33%	237	Heavy and Civil Engineering Construction
Fabric Mills	3132	1	100%	50%	100%	0%	313	Textile Mills
Other Textile Product Mills	3149	1	100%	100%	100%	100%	314	Textile Product Mills
Apparel Accessories and Other Apparel Manufacturing	3159	1	100%	100%	0%	0%	315	Apparel Manufacturing
Basic Chemical Manufacturing	3251	2	25%	13%	18%	50%	325	Chemical Manufacturing
Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing	3252	1	13%	6%	9%	25%	325	Chemical Manufacturing
Pharmaceutical and Medicine Manufacturing	3254	3	38%	19%	27%	75%	325	Chemical Manufacturing
Paint, Coating, and Adhesive Manufacturing	3255	2	25%	13%	18%	50%	325	Chemical Manufacturing
Rubber Product Manufacturing	3262	3	100%	30%	43%	150%	326	Plastics and Rubber Products Manufacturing

4-Digit NAIC Code Table	NAICS Code	Number of 2015 Notices	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2015	2013-15	2012-14	2011-13		
Other Fabricated Metal Product Manufacturing	3329	1	100%	14%	14%	13%	332	Fabricated Metal Product Manufacturing
Commercial and Service Industry Machinery Manufacturing	3333	2	25%	9%	10%	14%	333	Machinery Manufacturing
Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing	3334	1	13%	4%	5%	7%	333	Machinery Manufacturing
Metalworking Machinery Manufacturing	3335	2	25%	9%	10%	14%	333	Machinery Manufacturing
Engine, Turbine, and Power Transmission Equipment Manufacturing	3336	2	25%	9%	10%	14%	333	Machinery Manufacturing
Other General Purpose Machinery Manufacturing	3339	1	13%	4%	5%	7%	333	Machinery Manufacturing
Computer and Peripheral Equipment Manufacturing	3341	4	12%	5%	6%	7%	334	Computer and Electronic Product Manufacturing
Communications Equipment Manufacturing	3342	5	15%	7%	8%	8%	334	Computer and Electronic Product Manufacturing
Audio and Video Equipment Manufacturing	3343	1	3%	1%	2%	2%	334	Computer and Electronic Product Manufacturing
Semiconductor and Other Electronic Component Manufacturing	3344	18	55%	24%	28%	30%	334	Computer and Electronic Product Manufacturing
Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	3345	5	15%	7%	8%	8%	334	Computer and Electronic Product Manufacturing

4-Digit NAIC Code Table	NAICS Code	Number of 2015 Notices	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2015	2013-15	2012-14	2011-13		
Electrical Equipment Manufacturing	3353	1	50%	11%	9%	7%	335	Electrical Equipment, Appliance, and Component Manufacturing
Other Electrical Equipment and Component Manufacturing	3359	1	50%	11%	9%	7%	335	Electrical Equipment, Appliance, and Component Manufacturing
Motor Vehicle Parts Manufacturing	3363	1	13%	5%	6%	6%	336	Transportation Equipment Manufacturing
Aerospace Product and Parts Manufacturing	3364	4	50%	20%	24%	24%	336	Transportation Equipment Manufacturing
Other Transportation Equipment Manufacturing	3369	3	38%	15%	18%	18%	336	Transportation Equipment Manufacturing
Other Miscellaneous Manufacturing	3399	2	100%	67%	200%	200%	339	Miscellaneous Manufacturing
Professional and Commercial Equipment and Supplies Merchant Wholesalers	4234	1	33%	20%	33%	17%	423	Merchant Wholesalers, Durable Goods
Household Appliances and Electrical and Electronic Goods Merchant Wholesalers	4236	1	33%	20%	33%	17%	423	Merchant Wholesalers, Durable Goods
Machinery, Equipment, and Supplies Merchant Wholesalers	4238	1	33%	20%	33%	17%	423	Merchant Wholesalers, Durable Goods
Farm Product Raw Material Merchant Wholesalers	4245	1	50%	20%	20%	33%	424	Merchant Wholesalers, Nondurable Goods
Chemical and Allied Products Merchant Wholesalers	4246	1	50%	20%	20%	33%	424	Merchant Wholesalers, Nondurable Goods
Other Motor Vehicle Dealers	4412	1	100%	100%	0%	0%	441	Motor Vehicle and Parts Dealers
General Freight Trucking	4841	1	50%	50%	0%	0%	484	Truck Transportation

4-Digit NAIC Code Table	NAICS Code	Number of 2015 Notices	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2015	2013-15	2012-14	2011-13		
Specialized Freight Trucking	4842	1	50%	50%	0%	0%	484	Truck Transportation
Support Activities for Road Transportation	4884	2	67%	12%	11%	15%	488	Support Activities for Transportation
Freight Transportation Arrangement	4885	1	33%	6%	6%	8%	488	Support Activities for Transportation
Couriers and Express Delivery Services	4921	1	100%	100%	0%	0%	492	Couriers and Messengers
Warehousing and Storage	4931	0	0%	0%	0%	0%	493	Warehousing and Storage
Software Publishers	5112	9	100%	45%	69%	75%	511	Publishing Industries (except Internet)
Wired Telecommunications Carriers	5171	6	86%	43%	55%	43%	517	Telecommunications
Wireless Telecommunications Carriers (except Satellite)	5172	1	14%	7%	9%	7%	517	Telecommunications
Data Processing, Hosting, and Related Services	5182	2	100%	40%	67%	100%	518	Data Processing, Hosting, and Related Services
Insurance Carriers	5241	1	33%	33%	0%	0%	524	Insurance Carriers and Related Activities
Agencies, Brokerages, and Other Insurance Related Activities	5242	2	67%	67%	0%	0%	524	Insurance Carriers and Related Activities
Lessors of Real Estate	5311	4	100%	50%	50%	100%	531	Real Estate
Architectural, Engineering, and Related Services	5413	3	25%	7%	6%	5%	541	Professional, Scientific, and Technical Services
Computer Systems Design and Related Services	5415	5	42%	12%	10%	9%	541	Professional, Scientific, and Technical Services
Management, Scientific, and Technical Consulting Services	5416	1	8%	2%	2%	2%	541	Professional, Scientific, and Technical Services
Scientific Research and Development Services	5417	3	25%	7%	6%	5%	541	Professional, Scientific, and Technical Services

4-Digit NAIC Code Table	NAICS Code	Number of 2015 Notices	% of 3-Digit Corresponding NAICS Code				3-Digit NAIC	3-Digit NAIC Category
			2015	2013-15	2012-14	2011-13		
Facilities Support Services	5612	1	33%	13%	14%	20%	561	Administrative and Support Services
Investigation and Security Services	5616	2	67%	25%	29%	40%	561	Administrative and Support Services
Waste Treatment and Disposal	5622	1	100%	50%	100%	100%	562	Waste Management and Remediation Services
Medical and Diagnostic Laboratories	6215	1	100%	100%	0%	0%	621	Ambulatory Health Care Services

2. Covered Transactions by Country or Economy, 2013-2015

Table I-8 breaks down the notices of covered transactions from 2013 through 2015 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 (74 notices), the same percent of all notices for the 2012 to 2014 period. Chinese investors also accounted for the most notices filed each year from 2013 to 2015 (21, 24, and 29 notices, respectively). Investors from Canada and the United Kingdom accounted for the second and third most notices filed from 2012 to 2015 with 12 percent (49 and 47 notices, respectively.) From 2013 to 2015, investors from Japan accounted for 10 percent (40 notices) of the notices filed.

Table I-8. Covered Transactions by Acquirer Home Country or Economy, 2013-2015

Covered Transactions by Acquirer Home Country or Economy, 2013-2015				
Country/Economy	2013	2014	2015	Total
Australia	0	4	4	8
Belgium	0	0	1	1
Brazil	1	0	0	1
British Virgin Islands	0	1	0	1
Canada	12	15	22	49
Cayman Islands	1	3	8	12
Chile	1	0	0	1
China	21	24	29	74
Denmark	0	0	1	1
Finland	0	1	2	3
France	7	6	8	21
Germany	4	9	1	14
Hong Kong	1	6	2	9
India	1	2	0	3
Indonesia	0	1	2	3
Ireland	1	1	2	4
Israel	1	5	3	9
Italy	0	0	2	2
Japan	18	10	12	40
Liechtenstein	0	1	0	1
Luxembourg	1	0	2	3
Mexico	2	0	0	2
Netherlands	1	8	5	14
New Zealand	0	0	0	0

Covered Transactions by Acquirer Home Country or Economy, 2013-2015				
Country/Economy	2013	2014	2015	Total
Norway	1	1	0	2
Portugal	0	0	1	1
Qatar	0	1	0	1
Russian Federation	1	1	0	2
Saudi Arabia	2	1	1	4
Singapore	3	6	3	12
South Africa	0	0	2	2
South Korea	1	7	1	9
Spain	1	2	2	5
Sweden	2	2	3	7
Switzerland	3	7	2	12
Taiwan	1	0	0	1
Turkey	0	0	2	2
United Arab Emirates	2	1	1	4
United Kingdom	7	21	19	47
Grand Total	97	147	143	387

Table I-9 on the next two pages shows the concentration of notices by country in each of four industry sectors from 2013 through 2015. Overall, Manufacturing accounted for 44 percent of all notices from 2013 to 2015, the Finance, Information, and Services sector accounted for 29 percent, the Mining, Utilities, and Construction sector accounted for 17 percent, and the Wholesale Trade, Retail Trade, and Transportation sector accounted for 10 percent. Notices from China, the United Kingdom, and Japan, which accounted for 42 percent of the notices from 2013 to 2015, were generally consistent with this overall distribution across sectors.

By contrast, relative to the overall distribution across sectors, notices from Germany, Hong Kong, Israel, and Switzerland were more heavily concentrated in the Manufacturing sector (64, 67, 78, and 83 percent, respectively). Notices from France, the Netherlands, Singapore, South Korea, and Sweden were more heavily concentrated in the Finance, Information, and Services sector (43, 57, 42, 38, and 57 percent, respectively). Notices from Australia and Canada were more heavily concentrated in the Mining, Utilities, and Construction sector (50 and 39 percent, respectively).

**Table I-9. Covered Transactions by Acquirer Home Country or Economy
and Target Sector, 2013-2015**

Covered Transactions by Acquirer Home Country or Economy and Target Sector, 2013-2015					
Country/Economy	Manufacturing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale Trade, Retail Trade, and Transportation	Total
Australia	1	2	4	1	8
Belgium	1	0	0	0	1
Bermuda	0	0	0	0	0
Brazil	0	1	0	0	1
British Virgin Islands	0	0	1	0	1
Canada	9	9	19	12	49
Cayman Islands	6	3	2	0	11
Chile	0	0	1	0	1
China	39	15	13	7	74
Denmark	0	0	0	1	1
Estonia	0	0	0	0	0
Finland	1	1	1	0	3
France	8	9	1	3	21
Germany	9	5	0	0	14
Hong Kong	6	3	0	0	9
India	2	1	0	0	3
Indonesia	0	2	1	0	3
Ireland	1	3	0	0	4
Israel	7	2	0	0	9
Italy	2	0	0	0	2
Japan	20	12	5	4	41
Korea	1	0	0	0	1
Kuwait	0	0	0	0	0
Liechtenstein	0	0	0	1	1
Luxembourg	2	1	0	0	3
Malaysia	0	0	0	0	0
Mexico	0	0	1	1	2
Netherlands	4	8	2	0	14
New Zealand	0	0	0	0	0
Norway	1	1	0	0	2
Portugal	0	0	1	0	1

Covered Transactions by Acquirer Home Country/Economy and Target Sector, 2013-2015					
Country/Economy	Manufacturing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale, Retail, and Transportation	Total
Qatar	0	1	0	0	1
Russian Federation	0	1	0	1	2
Saudi Arabia	3	1	0	0	4
Singapore	3	5	3	1	12
Spain	1	1	3	0	5
South Africa	1	0	1	0	2
South Korea	2	3	2	1	8
Sweden	3	4	0	0	7
Switzerland	10	2	0	0	12
Taiwan	1	0	0	0	1
Turkey	1	0	1	0	2
United Arab Emirates	2	1	1	0	4
United Kingdom	25	15	3	4	47
Total	172	112	66	37	387

D. Withdrawn Notices

Parties may withdraw an accepted notice of a transaction if the Committee approves a written request for withdrawal from the parties. Over time, parties have requested withdrawals for a number of reasons. For example, in some cases in which the parties are unable to address all of the Committee's outstanding national security concerns within the initial 30-day review period or subsequent 45-day investigation period, the parties might request to withdraw and re-file their notice to provide themselves with additional time to answer questions or to resolve the 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 2015, CFIUS approved the withdrawal of 13 notices. The parties withdrew three notices during the 30-day review period and ten notices after the commencement of the 45-day investigation period.

Of the 13 notices, in eight instances, the parties filed a new notice in 2015, and CFIUS concluded action in those cases. In three instances, the parties withdrew their notice and abandoned their transaction after CFIUS informed them that it was unable to identify mitigation measures that would resolve its national security concerns or CFIUS proposed mitigation terms that the parties chose not to accept. In one instance, the parties withdrew their notice and abandoned the transaction for commercial reasons unrelated to CFIUS review. In one instance, the parties filed a new notice in 2016, though that notice was subsequently withdrawn and the transaction abandoned before CFIUS completed its national security assessment.

Additionally, CFIUS rejected one notice in 2015 pursuant to 31 C.F.R. § 403(a)(2)(ii). CFIUS rejected this notice due to information available to the U.S. government (USG) that contradicted information provided in the notice submitted by the parties. As a result of the rejection, CFIUS did not complete its review of the transaction. The parties subsequently abandoned the transaction.

As noted previously, the number of withdrawals in 2015 is a function of the specific facts and circumstances of the particular transactions reviewed by the Committee.

E. Mitigation Measures

From 2013 through 2015, 40 cases (ten percent) resulted in the use of legally binding mitigation measures. In 2015, CFIUS concluded action after adopting mitigation measures with respect to 11 notices of covered transactions (eight percent of the total number of 2015 notices). Four CFIUS agencies served as the 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 2015 required the businesses involved to take specific and verifiable actions, including, for example:

- Ensuring that only authorized persons have access to certain technology; that only authorized persons have access to USG, company, or customer information, and that the foreign acquirer not have direct or remote access to systems that hold such 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 that 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.
- Security protocols to ensure the integrity of goods or software sold to the USG.
- Notifying customers regarding the change of ownership.
- Assurances of continuity of supply for defined periods, and notification and consultation prior to taking certain business decisions, with certain rights in the event that the company decides to exit a business line. Established meetings to discuss business plans that might affect USG supply or national security considerations.

- Exclusion of certain sensitive assets from the transaction.
- 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.

Due to 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 used 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 USG, 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 equipment or components that have both commercial and military applications. Such transactions have included, for example, businesses

engaged in the design, production, or provision of goods and services involving network and data security. They have also included businesses that produce semiconductor manufacturing equipment, design integrated circuits, and fabricate integrated circuits, in light of the fact that semiconductors are an enabling technology for a range of national security critical devices, systems, and functions. They have also included businesses that are in the biotechnology sector, given the potential military applications of such technology and the sensitivity of the information such companies may collect.

- 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 a field with significant national security implications in which there are few alternative suppliers or in which a loss in U.S. technological competitiveness would be detrimental to national security.
 - Have operations or facilities that are in proximity to military or other sensitive USG facilities.
 - Hold substantial pools of potentially sensitive data about U.S. persons and businesses that have national security importance. Such businesses could be in any number of sectors, including, for example, the insurance sectors, health services, and technology services.
- 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.
 - Have a history of doing business in sanctioned countries.

CFIUS reviews all relevant national security considerations and the particular facts and circumstances of a transaction 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. (U) 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, CFIUS 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 risks.

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. § 4565(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 A addresses the requirement laid out in (i), and subsection B addresses 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 Appendix also provides the definition of “coordinated strategy,” which for purposes of this section of the report, describes the methodology and data sources used to identify transactions involving critical technology companies (“critical technology transactions”), and describes the approach used to conduct the analyses required by Section 721 related to critical technologies. Finally, it lists the agencies and other entities that participated in preparing this section of the report.

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

1. Key Judgments

A meaningful summary of the U.S. Intelligence Community (USIC) assessment cannot be provided on an unclassified basis. However, the USIC considered the unclassified data included in this section in conducting its analysis.

2. Summary of Foreign Merger and Acquisition (M&A) Activity in the United States

Using the methodology described in the Appendix, CFIUS identified 130 completed foreign mergers with or acquisitions of U.S. critical technology companies involving acquirers from 32 countries and territories. CFIUS agencies and the USIC evaluated all 130 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 2015:

Table II-1: Home Country of Foreign Acquirers of U.S. Critical Technology⁴

Country	Solo Deals	Joint Deals	Total Deals
Australia	3	0	3
Austria	1	0	1
Belgium	1	0	1
Brazil	1	0	1
BVI	1	1	2
Canada	20	0	20
Cayman Islands	1	2	3
Channel Islands	0	1	1
China	5	0	5
Denmark	1	0	1
Finland	2	0	2

³ The number of transactions based on country involvement exceeds the total number of transactions (108) due to some transactions involving more than one country.

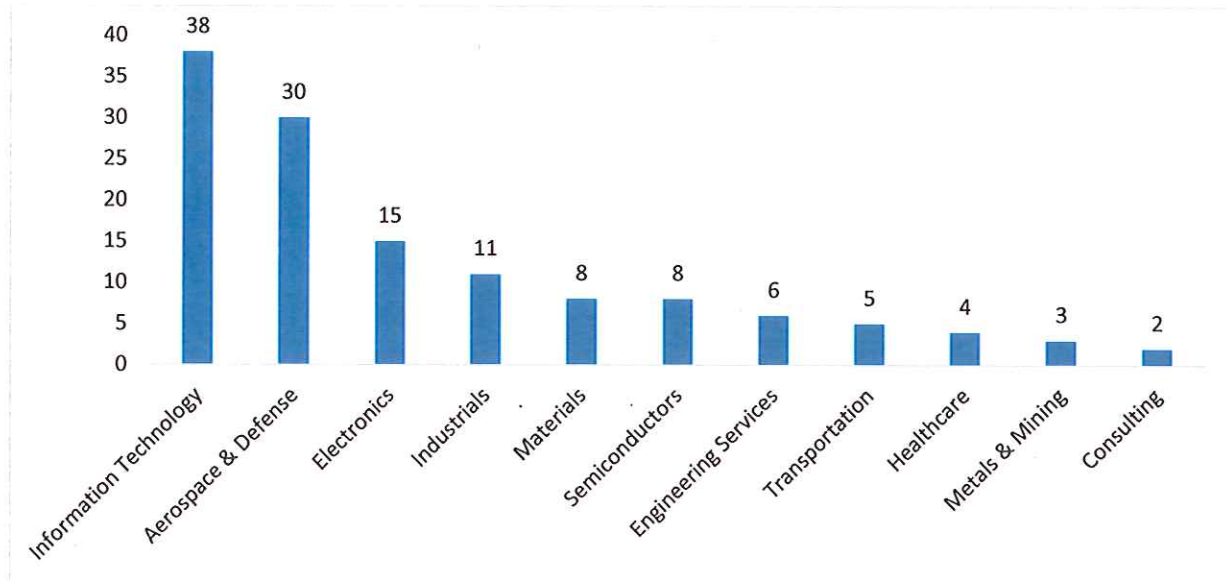
⁴ The number of transactions in the table appears higher than the number of transactions reviewed for the annual report. This is due to the nature of joint transactions. For example, if a transaction involved the acquisition of a U.S. company jointly by both a Russian and an Israeli company, the table reflects that both countries were a part of one transaction each.

Country	Solo Deals	Joint Deals	Total Deals
France	5	1	6
Germany	6	1	7
Hong Kong	0	1	1
India	1	0	1
Ireland	3	0	3
Israel	3	0	3
Italy	2	2	4
Japan	8	0	8
Luxembourg	1	0	1
Malaysia	1	0	1
Netherlands	5	2	7
Russia	1	1	2
South Korea	1	0	1
Saudi Arabia	2	0	2
Singapore	3	1	4
South Africa	1	0	1
Spain	1	0	1
Sweden	3	0	3
Switzerland	2	2	4
Taiwan	1	0	1
Turkey	1	0	1
United Arab Emirates	2	1	3
United Kingdom	19	2	21

As shown in Figure II-1 on the next page,⁵ 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 Aerospace & Defense sectors.

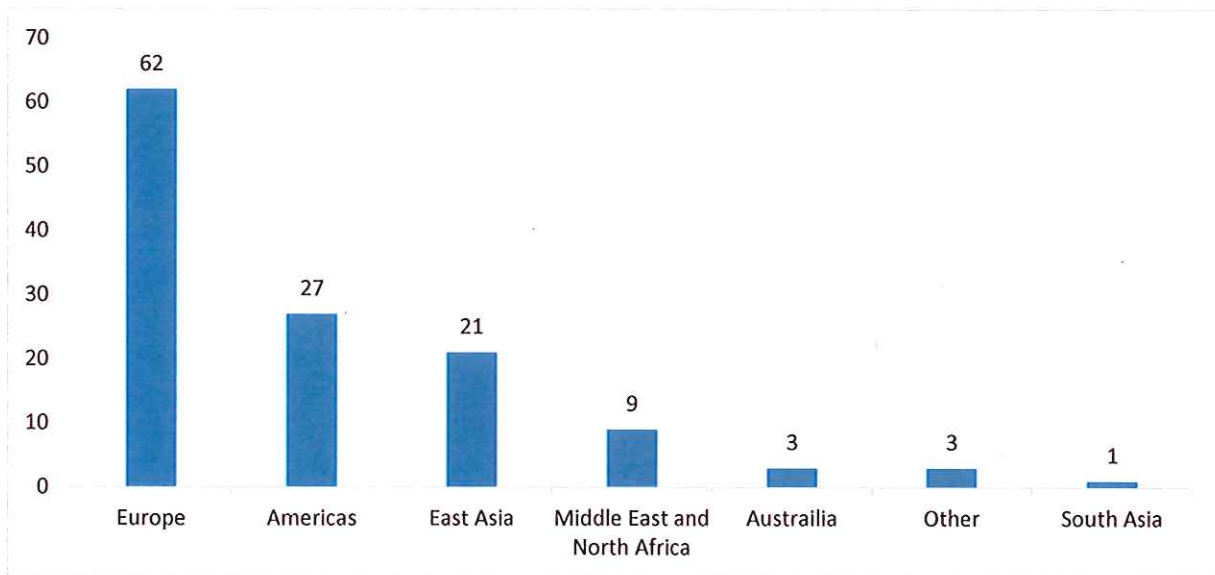
⁵ The number of transactions displayed in this chart is less than the total number of transactions reviewed because 54 transactions did not include a sector description.

Figure II-1: 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-2⁶ displays the data with the following regional breakdown:

Figure II-2. Completed transactions in critical technologies by regions



⁶ The number of transactions based on region involvement is less than the total number of transactions due to some involving acquirers of indeterminate origin.

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 use a range of collection methods to obtain critical U.S. technologies.

A 2011 Office of the National Counterintelligence Executive report to Congress stated that the pace of foreign economic collection and industrial espionage activities against major U.S. corporations and USG agencies is accelerating. Furthermore, as the United States is a leader in the development of new technologies and a central player in global financial and trade networks, foreign attempts to collect U.S. technological and economic information will continue at a high level and will represent a growing and persistent threat to U.S. economic security. Sensitive U.S. economic information and technology are targeted by the intelligence services, private sector companies, academic and research institutions, and citizens of dozens of countries.

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 of Study

- Mergers with and acquisitions of U.S. companies, 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, 2015, and December 31, 2015 (CY 2015) (“subject M&A transactions”), represent a small percentage of the total number of such FDI flows into the United States.
- The value of subject M&A transactions with publicly reported values was \$3.6 billion. The total value of M&A transactions with publicly reported values by *all* foreign investors during CY 2015 exceeded \$80.4 billion.
 - As described in subsection III.C below, not all publicly announced transactions are reported with dollar values, so the actual value of subject M&A transactions is greater than \$3.6 billion.

- The subject M&A transactions cover several economic sectors.
- With respect to each transaction contained in this study, CFIUS (i) reviewed and concluded action under section 721 with no unresolved national security concerns; (ii) previously reviewed and concluded action on a transaction that gave the foreign acquirer control of the same U.S. business; or (iii) reviewed the transaction through procedures that CFIUS and its member agencies follow regarding those transactions that are not notified to CFIUS (non-notified transactions).

B. Study Methodology

1. Identification of Relevant Countries

To identify those countries that complied with *any* boycott of Israel in 2015, as required by the statute, CFIUS examined the “List of Countries Requiring Cooperation with an International Boycott,” published by the Department of the Treasury (pursuant to section 999 of the Internal Revenue Code)⁷ and reports sent to Congress by the Department of State (pursuant to section 564 of the Foreign Relations Authorization Act, FY 1994-95), as well as public sources of information describing the countries’ observance of a primary boycott of Israel. Based on these sources of information, CFIUS interpreted 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.

To identify those countries that did not ban foreign terrorist organizations in 2015, CFIUS interpreted section 7(c)(1)(B) of FINSA to apply to countries certified by the Department of State as “not cooperating fully with United States antiterrorism efforts” (pursuant to section 40A of the Arms Export Control Act, as amended.) Those countries were Eritrea, Iran, North Korea, Syria, and Venezuela.

2. Scope of FDI

Mergers with and acquisitions of U.S. companies are the primary form of FDI into the United States and the form of FDI that CFIUS is authorized under section 721 to review. Accordingly, the following types of transactions are included in the study: (i) transactions notified to CFIUS under section 721; (ii) M&A transactions that were not notified to CFIUS but that its member agencies reviewed through procedures that each agency has adopted for this purpose; and (iii) M&A transactions that resulted in an ownership stake in a U.S. company of at least 10 percent,⁸ as contained in the Thomson ONE database, which is a recognized financial database.

⁷ 80 Fed. Reg. 17152 (Mar. 31, 2015), 80 Fed. Reg. 39,197 (Jul. 8, 2015), 80 Fed. Reg. 66,621 – 66,622 (Oct. 29, 2015), and 81 Fed. Reg. 4739 (Jan. 27, 2016).

⁸ 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 sources did not always provide information regarding the acquirer’s total ownership stake that it acquired in the U.S. company. Therefore, some of the transactions analyzed in this study may be portfolio investments rather than FDI.

- *Thomson ONE database*: This database is a product of Thomson Reuters. The transaction information contained in this database includes the date of the transaction, the respective countries of origin of both the acquirer and the target company, and the economic sector of the target company. For most transactions, the Thomson ONE database provides the transaction value and the percentage of ownership rights acquired.

CFIUS did not include in the study those transactions listed in the Thomson ONE database that resulted in an ownership stake in a U.S. company of less than 10 percent, where data concerning the interest acquired was available.

C. Detailed Findings of Study

1. Identification of the Subject M&A Transactions

The study identified 15 M&A transactions in CY 2015 involving investors from the United Arab Emirates, Saudi Arabia, Qatar, and Kuwait, which are countries that comply with any boycott of Israel.

The study did not identify any M&A transactions in CY 2015 involving investors from Eritrea, Iran, North Korea, or Syria, which are countries identified as not cooperating fully with U.S. antiterrorism efforts and which were subject to stringent economic sanctions. However, the study identified one M&A transaction involving investors from Venezuela, a country that was designated as not cooperating fully with U.S. antiterrorism efforts and which was subject to stringent economic sanctions.

Five of the 16 identified transactions had reported values. The combined value of the reported values is approximately \$3.7 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 ten of the 16 transactions analyzed in this section of the Annual Report. As a result, the value of the 16 total transactions, therefore, is necessarily greater than \$3.7 billion. Table III-1 on the next page shows the number and aggregate value of the transactions for each of the relevant countries.

Table III-1. Aggregate Value of Transactions

Country	Number of Transactions	Known Transaction Value (\$ million)
United Arab Emirates	10	\$3,380
Saudi Arabia	3	\$273
Qatar	1	N/A
Kuwait	1	10
Venezuela	1	N/A
Total	16	\$3,663

The 16 transactions represent several major sectors of the economy. Table III-2 shows the various industries represented by the 16 transactions, noting both the number and aggregate value of the transactions for each sector. Transactions in the Hotel and Lodging sector – the largest category represented – include transactions in both the Media and Entertainment and Financials industries.

Table III-2. Industries Represented

Sector	Number of Transactions	Known Transaction Value (\$ millions)
Finance, Information, and Services	8	\$258
Wholesale, Retail, and Transportation	1	N/A
Mining, Utilities, and Construction	1	\$25
Manufacturing	6	\$3,380
Total	16	\$3,663

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

Each of the 16 transactions was either formally reviewed by CFIUS under section 721 or pursuant to procedures followed by CFIUS and its member agencies regarding non-notified transactions. According to these procedures, CFIUS agencies monitor M&A activity and identify those transactions that have not been voluntarily notified to CFIUS, but which may present national security considerations.

If CFIUS believes that a non-notified transaction may raise national security considerations and may also be a covered transaction, CFIUS contacts the parties and requests additional information regarding the transaction. If CFIUS determines, after evaluating this additional information, that the transaction is covered and that it may raise national security considerations, CFIUS requests the parties file a notice. In most instances in which CFIUS has requested additional information regarding a transaction, the parties responded by filing a

voluntary notice. However, should the parties decide they will not file a notice after CFIUS requests they do so, any CFIUS agency may initiate a review of the transaction.

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, as they 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 contained in section 800.209 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 Section II of this Annual Report, CFIUS agencies responsible for administering U.S. export control regulations analyzed publicly available information, non-public M&A transaction data obtained pursuant to CFIUS review, and their agency's own internal records to identify those U.S. critical technology companies that were acquired by, or received significant investments from, foreign investors in 2015. Because each export control regulation applies to a specific type of critical technology, the amount of information that could be analyzed for Section II of this Annual Report was limited.

31 C.F.R. § 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 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 enabled the Department of State to identify 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): 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 paragraph of 31 C.F.R. § 800.209 are not required to register with the Department of Commerce, but in many cases, must obtain a license from the Department of Commerce 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, the Department of Commerce analyzed a combination of publicly available information regarding M&A transactions,⁹ information regarding non-publicly announced M&A transactions notified to CFIUS, and its internal agency records of export license applications.

31 C.F.R. § 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 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 the Department of Commerce. This entailed comparing a list of publicly announced M&A transactions¹⁰ against export authorizations issued under 10 C.F.R. part 810 and export license requests issued by the Nuclear Regulatory Commission under 10 C.F.R. part 110.

31 C.F.R. § 800.209(d): This paragraph pertains to 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).

⁹ The M&A transactions were identified using the Thomson ONE database and S&P Capital IQ database.

¹⁰ The Thomson ONE database and S&P Capital IQ database were used.

The agents and toxins specified in this paragraph are generally subject to export controls administered by the Department of Commerce. Accordingly, the methodology used by the Department of Commerce would be the same as that described above.

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. § 4565), as amended, by doing the following.

- Analyzing the pattern of M&A of U.S. critical technology companies during 2015, while also considering transactions in prior years, as appropriate.
 - 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

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