COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

ANNUAL REPORT TO CONGRESS

Report Period: CY 2011
Issued: December 2012

PUBLIC/UNCLASSIFIED VERSION

CFIUS ANNUAL REPORT TO CONGRESS

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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 2011 Covered Transactions

The classified version of this report contains a table listing all 111 notices of transactions that were filed with CFIUS in 2011 and that CFIUS determined to be covered transactions under section 721. That table sets forth information on the acquirer and the U.S. business acquired, including the nature of their business activities or products, and details on any withdrawal. That table is not included here because section 721 prohibits its public disclosure, but aggregate information regarding those 111 notices is provided below:

- CFIUS conducted a “review” with respect to the 111 notices of covered transactions filed with CFIUS.
- CFIUS also conducted a subsequent “investigation” with respect to 40 of those 111 notices.
- Six of the notices were withdrawn. In four of these cases, the parties filed new notices in 2011; in two cases, the parties filed new notices in 2012.
- The President did not take action to block or prohibit any transactions in 2011.

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

In the years 2009 through 2011, companies filed 269 notices of transactions that CFIUS determined to be covered transactions under section 721. About four percent (12 notices) of such notices were withdrawn during the review stage, five percent (13 notices) were withdrawn during the investigation stage, and 37 percent (100 notices) resulted in an investigation. There were no transactions that resulted in a Presidential decision.

There was an appreciable increase in the number of notices from 2009 to 2010, coinciding with recovery from the global financial crisis, followed by a further increase in 2011. As shown in Table I-1, the number of notices increased from 65 in 2009 to 93 in 2010 and to 111 in 2011. The percentage of notices proceeding to investigation has remained fairly constant over the three years at 38 percent in 2009 and 2010 and 36 percent in 2011.

Apart from the general correlation of the number of notices with macroeconomic conditions, the information in the table below is not indicative of 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 - 2011					
Year	**Number of Notices**	**Notices Withdrawn During Review**	**Number of Investigations**	**Notices Withdrawn During Investigation**	**Presidential Decisions**
2009	65	5	25	2	0
2010	93	6	35	6	0
2011	111	1	40	5	0
Total	**269**	**12**	**100**	**13**	**0**

Table I-1: Covered Transactions, Withdrawals, and Presidential Decisions 2009-2011

C. Covered Transactions by Business Sector and Country

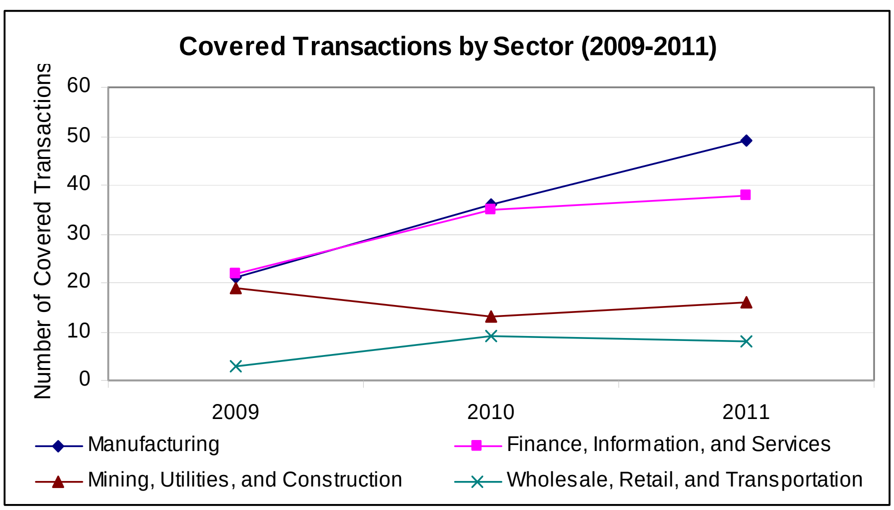
1. Covered Transactions by Business Sector of U.S. Companies: 2009-2011

The notices of covered transactions filed with CFIUS during the 2009-2011 period involved a wide range of industrial subsectors.[2] Broadly, more than one third of such notices were in the manufacturing sector (106, or 39 percent), while approximately one third of the notices were in the finance, information, and services sector (95, or 35 percent). The remainder of notices were in the mining, utilities, and construction sector (48, or 18 percent) or the wholesale, retail, and transportation sector (20, or seven percent).

The table and chart below provide a breakdown by sector and by year of the 269 notices of covered transactions cumulatively filed with CFIUS from 2009 through 2011. The data below show that, as in 2010, the greatest number of filings occurred in the manufacturing and the finance, information, and services sectors. The percentage of notices in the manufacturing sector increased from 2009 to 2010 (from 32 percent to 39 percent), and increased further in 2011 (from 39 percent to 44 percent). In 2011, the percentage of notices in the finance, information, and services sector returned to 2009 levels (34 percent) after having increased from 2009 to 2010. The percentage of notices in the mining, utilities, and construction sector decreased from 2009 to 2010 and held steady in 2011.

Covered Transactions by Sector and Year, 2009-2011[3]					
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
Total	**106 (39%)**	**95 (35%)**	**48 (18%)**	**20 (7%)**	**269**

Table I-2: Covered Transactions by Sector and Year, 2009-2011



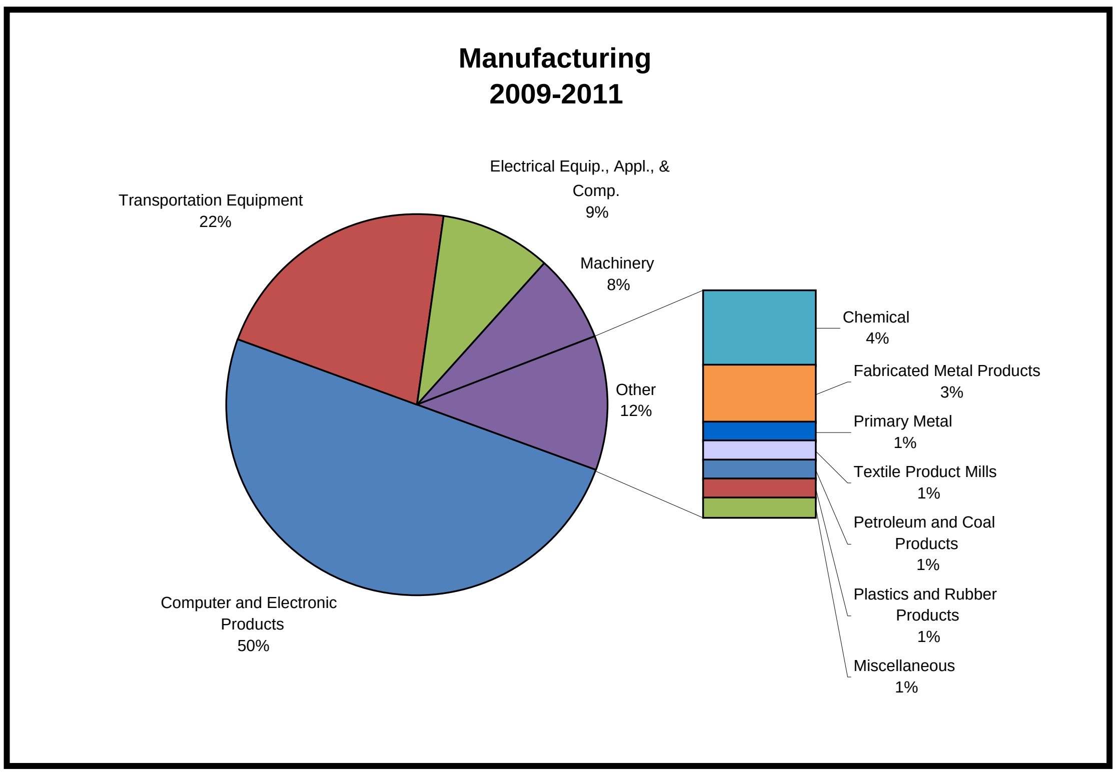
Covered Transactions by Sector 2009-2011

[2] Broad sectors are defined using 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.
[3] Percentages do not sum to 100 percent due to rounding.

Manufacturing accounted for 39 percent (106 notices) of all notices filed with CFIUS from 2009 through 2011. The computer and electronic products subsector accounted for 50 percent (53 notices) of the 106 manufacturing sector notices during the period, up slightly from 48 percent of manufacturing notices filed from 2008 through 2010. The transportation equipment subsector accounted for 22 percent (23 notices) of manufacturing notices, an increase from 16 percent of manufacturing notices filed from 2008 through 2010. The electrical equipment, appliance, and component subsector accounted for nine percent (10 notices) and the machinery subsector accounted for eight percent (eight notices).

Manufacturing 2009-2011	NAICS Code	Number of Notices	% of Total Manufacturing[4]
Computer and Electronic Products	334	53	50%
Transportation Equipment	336	23	22%
Electrical Equipment, Appliance, and Component	335	10	9%
Machinery	333	8	8%
Chemical	325	4	4%
Fabricated Metal Products	332	3	3%
Primary Metal	331	1	1%
Textile Product Mills	314	1	1%
Petroleum and Coal Products	324	1	1%
Plastics and Rubber Products	326	1	1%
Miscellaneous	339	1	1%

Table I-3: Covered Transactions from the Manufacturing Sector



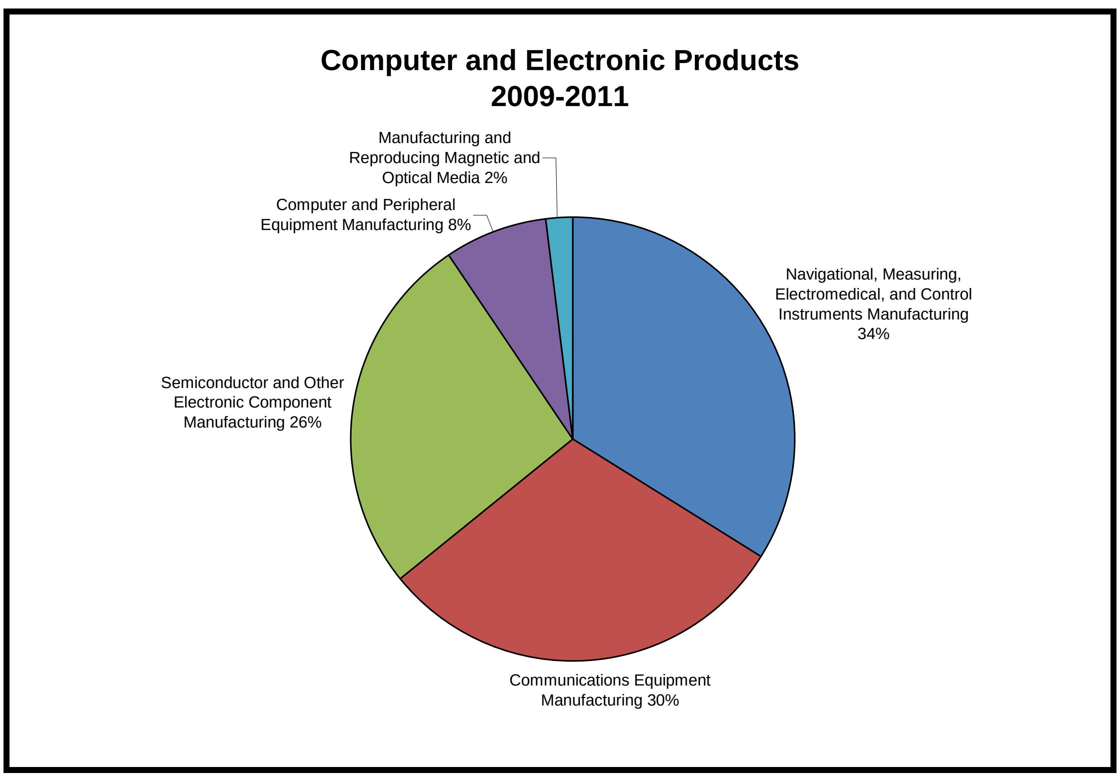
Covered Transactions from the Manufacturing Sector

[4] Percentages do not sum to 100 percent due to rounding.

Navigational, measuring, electro-medical, and control instruments manufacturing accounted for 34 percent (18 notices) of the 53 notices in the computer and electronic products subsector from 2009 through 2011, up slightly from 32 percent of notices in this subsector filed from 2008 through 2010. Communications equipment manufacturing accounted for 30 percent (16 notices) of the notices in this subsector, and semiconductor and other electronic component manufacturing accounted for 26 percent (14 notices), down slightly from 32 percent and 27 percent, respectively, of notices in this subsector filed from 2008 through 2010.

Computer and Electronic Products 2009-2011	NAICS Code	Number of Notices	% of Total Computer and Electronic Products
Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	3345	18	34%
Communications Equipment Manufacturing	3342	16	30%
Semiconductor and Other Electronic Component Manufacturing	3344	14	26%
Computer and Peripheral Equipment Manufacturing	3341	4	8%
Manufacturing and Reproducing Magnetic and Optical Media	3346	1	2%

Table I-4: Covered Transactions from the Computer and Electronic Products Subsector

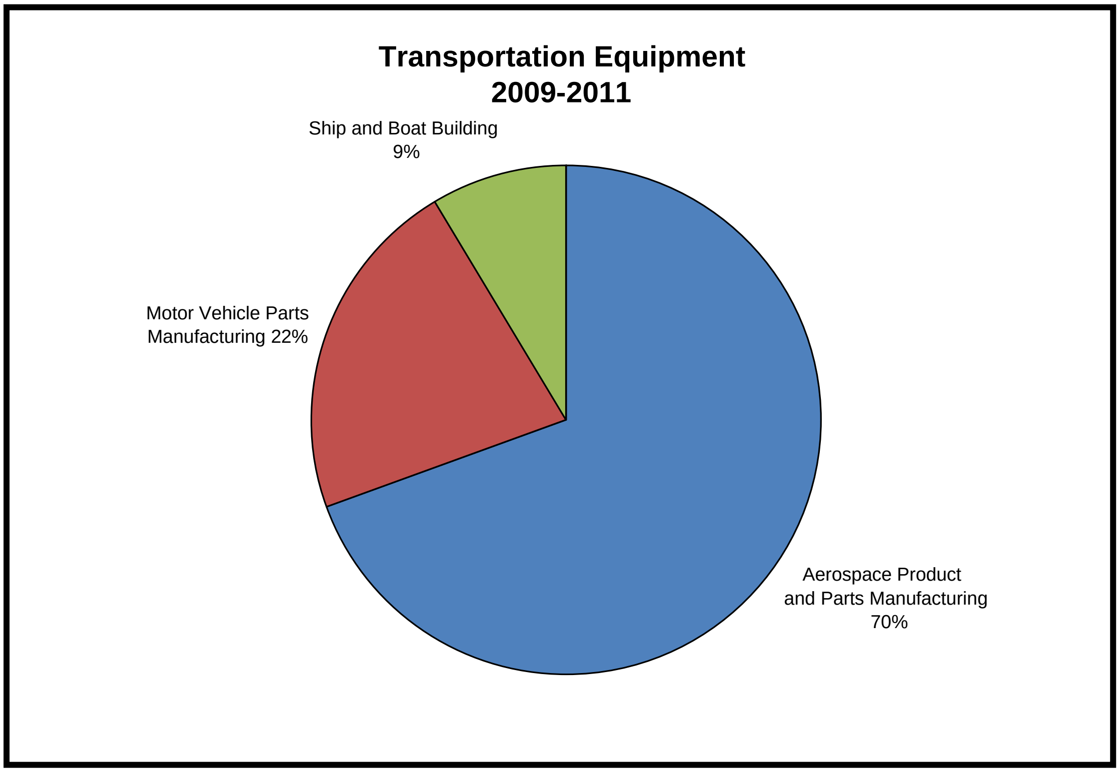


Covered Transactions from the Computer and Electronic Products Subsector

Aerospace product and parts manufacturing accounted for 70 percent (16 notices) of the 23 notices in the transportation equipment subsector from 2009 through 2011, up slightly from 67 percent of notices in this subsector filed from 2008 through 2010. Motor vehicle parts manufacturing accounted for an additional 22 percent (five notices) of the notices in this subsector, up from 10 percent from 2008 through 2010. Ship and boat building accounted for nine percent (two notices), down from 24 percent from 2008 through 2010.

Transportation Equipment 2009-2011	NAICS Code	Number of Notices	% of Total Transportation Equipment[5]
Aerospace Product and Parts Manufacturing	3364	16	70%
Motor Vehicle Parts Manufacturing	3363	5	22%
Ship and Boat Building	3366	2	9%

Table I-5: Covered Transactions from the Transportation Equipment Subsector



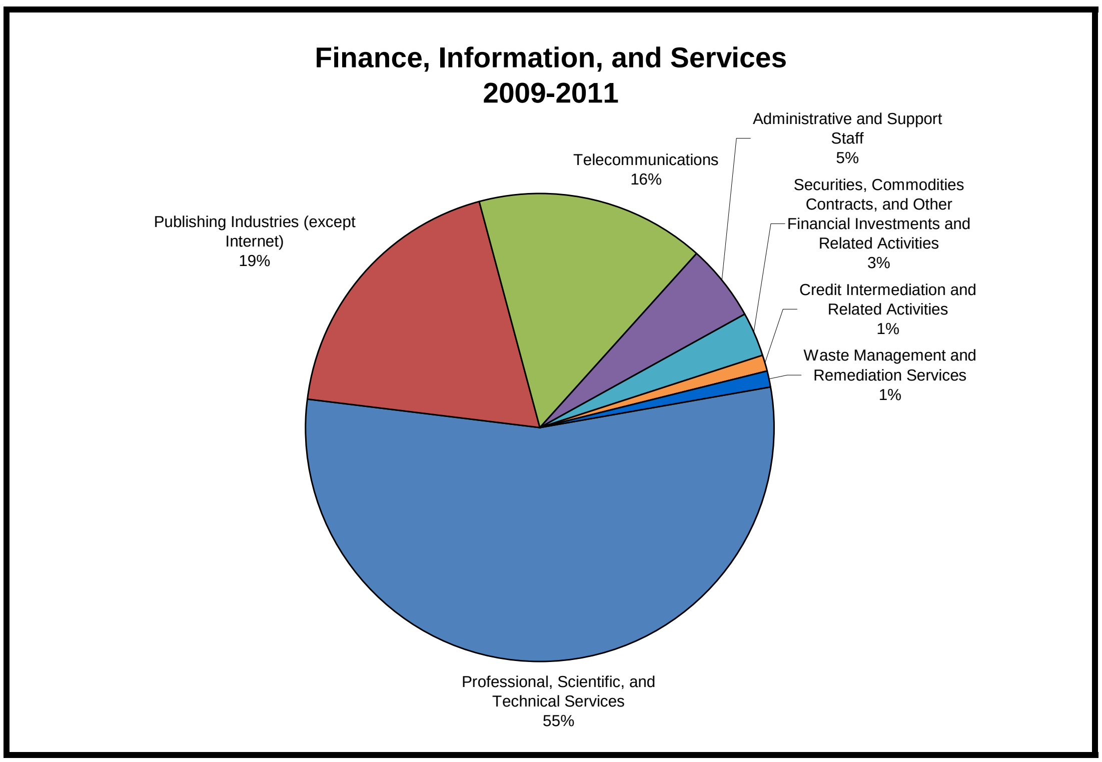
Covered Transactions from the Transportation Equipment Subsector

[5] Percentages do not sum to 100 percent due to rounding.

The finance, information, and services sector ("FIS") accounted for 35 percent (95 notices) of all notices filed with CFIUS from 2009 through 2011. The professional, scientific, and technical services subsector accounted for 55 percent (52 notices) of the 95 notices in this sector during the period, down slightly from 58 percent of FIS notices filed from 2008 through 2010.[6] Publishing industries (except Internet) accounted for 19 percent (18 notices) of the notices in this sector – all of which involved software publishers (NAICS code 5112) – up from 14 percent of FIS notices filed from 2008 through 2010. Telecommunications accounted for 16 percent (15 notices), up slightly from 15 percent of FIS notices filed from 2008 through 2010. Administrative and support staff accounted for five percent (five notices).

Finance, Information, and Services 2009-2011	NAICS Code(s)	Number of Notices	% of Total Finance, Information, and Services
Professional, Scientific, and Technical Services	541	52	55%
Publishing Industries (except Internet)	511	18	19%
Telecommunications	517	15	16%
Administrative and Support Staff	561	5	5%
Securities, Commodities Contracts, and Other Financial Investments and Related Activities	523	3	3%
Credit Intermediation and Related Activities	522	1	1%
Waste Management and Remediation Services	562	1	1%

Table I-6: Covered Transactions from the Finance, Information, and Services Sector



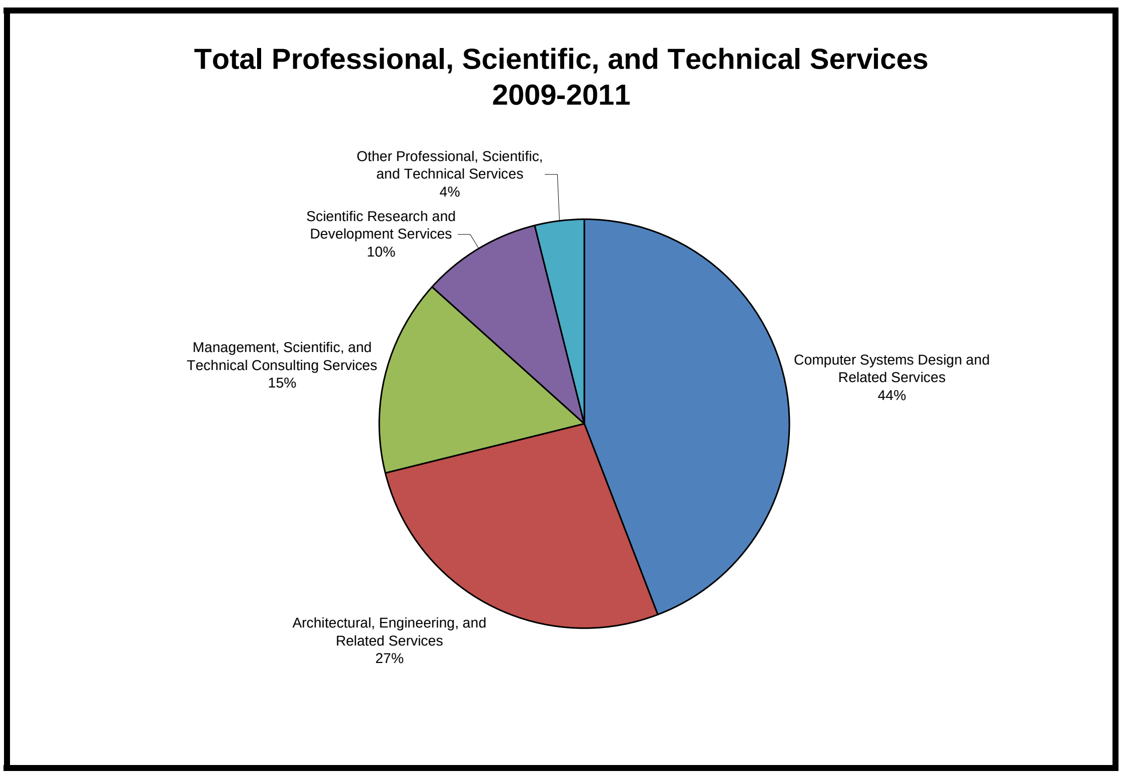
Covered Transactions from the Finance, Information, and Services Sector

[6] FIS subsectors in this Annual Report are identified at the 3-digit NAICS code level. The CY2010 Annual Report identified FIS subsectors at the 2-digit NAICS code level. FIS subsector percentages from the 2008-2010 period were recomputed at the 3-digit NAICS code level to allow for comparisons.

Computer systems design and related services accounted for 44 percent (23 notices) of the 52 notices in the professional, scientific, and technical services subsector from 2009 through 2011, up from 40 percent of notices in this subsector filed from 2008 through 2010. Architectural, engineering, and related services accounted for 27 percent (14 notices), down from 32 percent of notices in this subsector filed from 2008 through 2010. Management, scientific, and technical consulting services accounted for 15 percent (eight notices), and scientific research and development services accounted for 10 percent (five notices). Other professional, scientific, and technical services accounted for four percent (two notices).

Professional, Scientific, and Technical Services 2009-2011	NAICS Code	Number of Notices	% of Total Professional, Scientific, and Technical Services
Computer Systems Design and Related Services	5415	23	44%
Architectural, Engineering, and Related Services	5413	14	27%
Management, Scientific, and Technical Consulting Services	5416	8	15%
Scientific Research and Development Services	5417	5	10%
Other Professional, Scientific, and Technical Services	5419	2	4%

Table I-7: Covered Transactions from the Professional, Scientific, and Technical Services Subsector

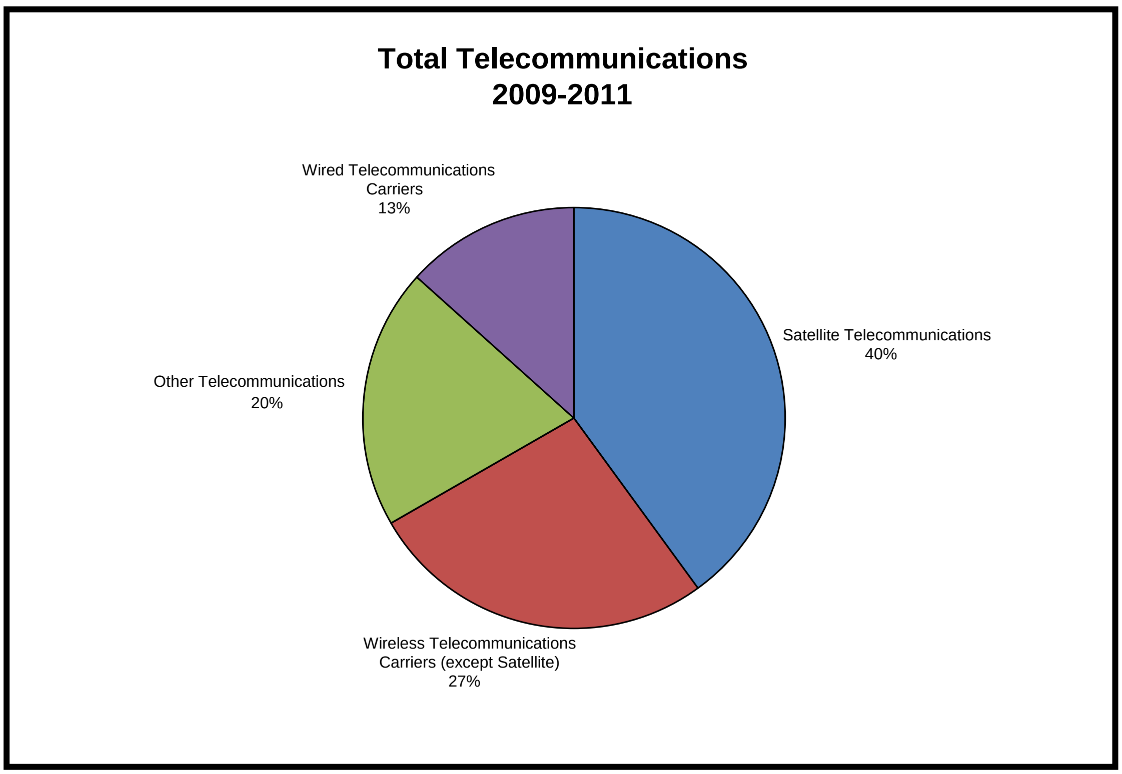


Covered Transactions from the Professional, Scientific, and Technical Services Subsector

Satellite telecommunications accounted for 40 percent (six notices) of the 15 notices in the telecommunications subsector from 2009 through 2011, up from 33 percent of the notices in this subsector filed from 2008 through 2010. Wireless telecommunications carriers (except satellite) accounted for 27 percent (four notices) in this subsector, down from 33 percent of the notices in this subsector filed from 2008 through 2010. Other telecommunications accounted for 20 percent (three notices) and wired telecommunications carriers accounted for 13 percent (two notices) in this subsector.

Telecommunications 2009-2011	NAICS Code	Number of Notices	% of Total Telecommunications
Satellite Telecommunications	5174	6	40%
Wireless Telecommunications Carriers (except Satellite)	5172	4	27%
Other Telecommunications	5179	3	20%
Wired Telecommunications Carriers	5171	2	13%

Table I-8: Covered Transactions from the Telecommunications Subsector

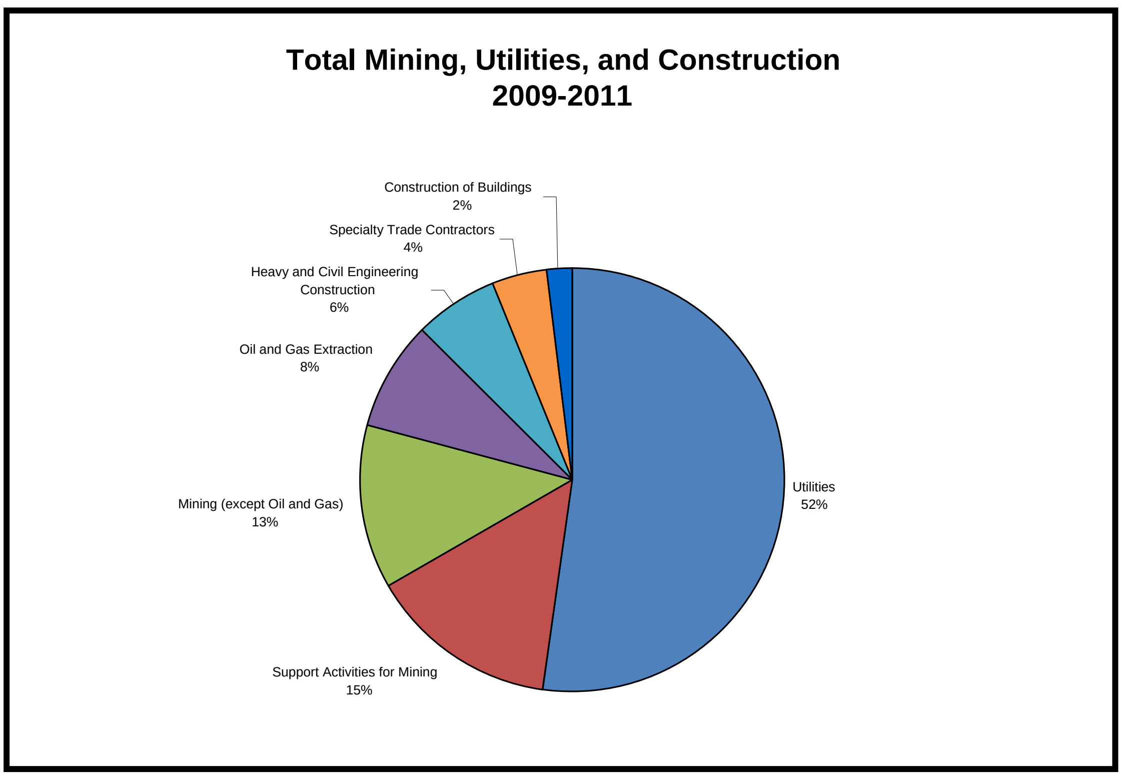


Covered Transactions from the Telecommunications Subsector

The mining, utilities, and construction sector ("MUC") accounted for 18 percent (48 notices) of all notices filed with CFIUS from 2009 through 2011. In this sector, the largest percentage of activity involved the utilities subsector, which accounted for 52 percent (25 notices) of the notices, up from 49 percent of MUC notices filed from 2008 through 2010. Support activities for mining accounted for 15 percent (seven notices) and mining (except oil and gas) accounted for 13 percent (six notices) of the notices in this sector, down from 16 percent and 19 percent, respectively, of MUC notices filed from 2008 through 2010.

Mining, Utilities, and Construction 2009-2011	NAICS Code	Number of Notices	% of Total Mining, Utilities, and Construction
Utilities	221	25	52%
Support Activities for Mining	213	7	15%
Mining (except Oil and Gas)	212	6	13%
Oil and Gas Extraction	211	4	8%
Heavy and Civil Engineering Construction	237	3	6%
Specialty Trade Contractors	238	2	4%
Construction of Buildings	236	1	2%

Table I-9: Covered Transactions from the Mining, Utilities, and Construction Sector

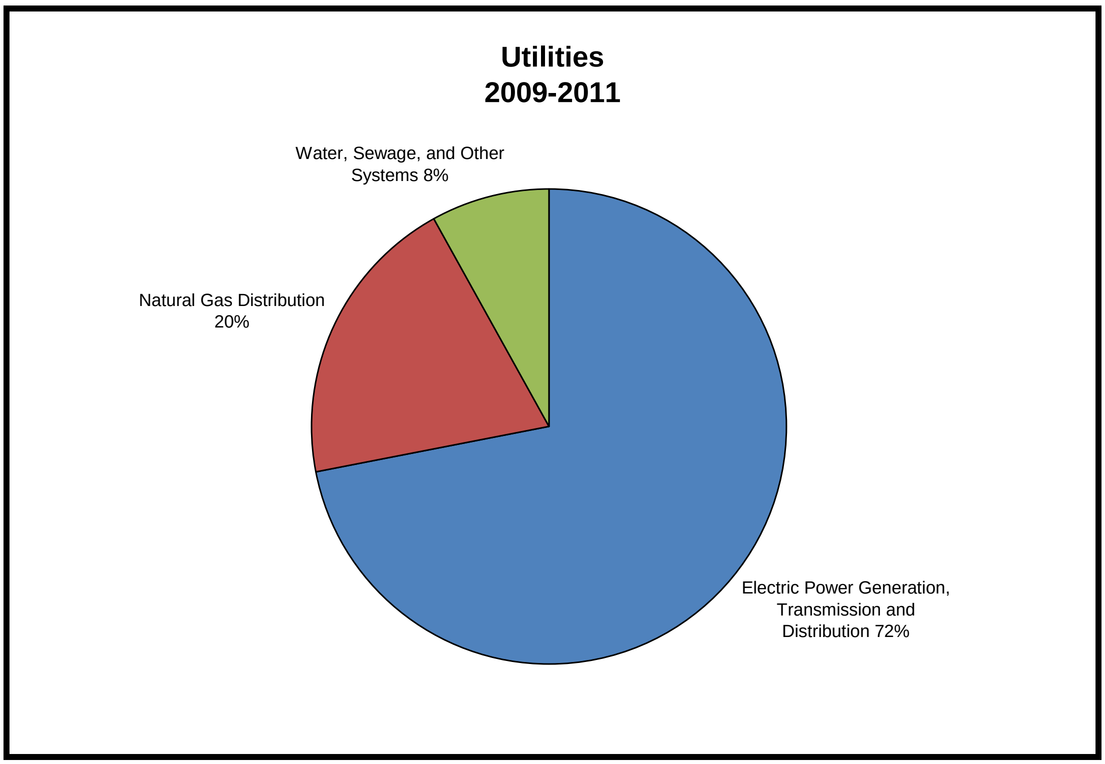


Covered Transactions from the Mining, Utilities, and Construction Sector

Electric power generation, transmission, and distribution accounted for 72 percent (18 notices) of the 25 notices in the utilities subsector from 2009 through 2011, down from 79 percent of notices filed in the utilities subsector from 2008 through 2010. Natural gas distribution accounted for 20 percent (five notices) and water, sewage, and other systems accounted for eight percent (two notices) of the notices in this subsector.

Utilities 2009-2011	NAICS Code	Number of Notices	% of Total Utilities
Electric Power Generation, Transmission, and Distribution	2211	18	72%
Natural Gas Distribution	2212	5	20%
Water, Sewage, and Other Systems	2213	2	8%

Table I-10: Covered Transactions from the Utilities Subsector

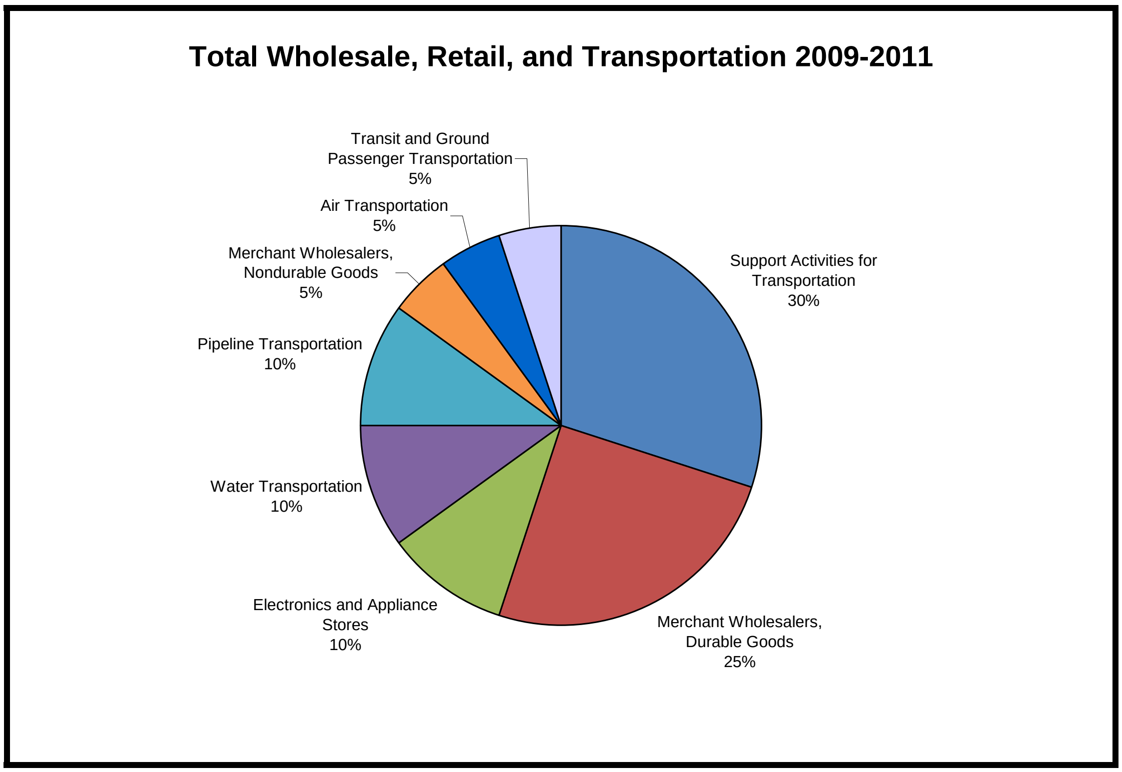


Covered Transactions from the Utilities Subsector

The wholesale trade, retail trade, and transportation sector ("WRT") accounted for seven percent (20 notices) of all notices of covered transactions filed with CFIUS from 2009 through 2011. Support activities for transportation accounted for 30 percent (six notices) of the notices in this sector, down from 39 percent of WRT notices filed from 2008 through 2010. Merchant wholesalers of durable goods accounted for another 25 percent (five notices) of WRT notices, up from 11 percent of WRT notices filed from 2008 through 2010.

Wholesale, Retail, and Transportation 2009-2011	NAICS Code	Number of Notices	% of Total Wholesale, Retail, and Transportation
Support Activities for Transportation	488	6	30%
Merchant Wholesalers, Durable Goods	423	5	25%
Electronic and Appliance Stores	443	2	10%
Water Transportation	483	2	10%
Pipeline Transportation	486	2	10%
Merchant Wholesalers, Nondurables Goods	424	1	5%
Air Transportation	481	1	5%
Transit and Ground Passenger Transportation	485	1	5%

Table I-11: Covered Transactions from the Wholesale, Retail, and Transportation Sector



Covered Transactions from the Wholesale, Retail, and Transportation Sector

2. Covered Transactions by Country or Economy: 2009-2011

Table I-12 breaks down the notices of covered transactions from 2009 through 2011 by country or economy and year.[7] Acquisitions by investors from the United Kingdom accounted for 26 percent of the notices, the largest by far, for the three-year period (69 notices, including one notice from an acquirer with UK and German owners), down slightly from 29 percent of all notices for the 2008-2010 period. UK investors also represented the largest number of notices in each individual year. Investors from Canada and France accounted for an additional 10 percent each over the period (27 notices each), an increase from about eight percent each in the 2008-2010 period. Investors from China accounted for seven percent of the notices for the period (20 notices), up from five percent for 2008-2010, with the number of notices filed by Chinese acquirers growing each year. Investors from Israel and Japan accounted for more than six percent each over the three-year period (18 notices each).

Table I-13 shows a few relative concentrations of transactions in specific industry sectors. Eighteen of the 27 investments from France (67 percent) were in manufacturing, with no other sector accounting for more than four transactions. Twelve of the 20 investments from China (60 percent) were in manufacturing, with no other sector accounting for more than five transactions. Eight of the 14 investments from the Netherlands (57 percent) were in finance, information, and services, with no other sector accounting for more than two transactions. Investments from Canada were concentrated in mining, utilities, and construction (14 of 27 notices, or 52 percent) and finance, information, and services (10 of 27 notices, or 37 percent). Investors from countries or economies that had more than three notices typically invested in multiple sectors.

[7] The figures in this table reflect the number of notices filed with CFIUS and are not adjusted to account for the fact that some transactions were the subject of more than one notice, where the original notice was withdrawn and then re-filed, as discussed in Section I.D of this Annual Report.

Covered Transactions by Acquirer Home Country/Economy, 2009-2011				
Country/Economy	**2009**	**2010**	**2011**	**Total**
Australia	1	3	4	8
Bermuda		1		1
Brazil			1	1
Canada	9	9	9	27
Cayman Islands			1	1
Chile		1		1
China	4	6	10	20
Estonia			1	1
Finland		1	1	2
France	7	6	14	27
Germany	1	2	3	6
Hong Kong	1	1		2
India		1	1	2
Israel	5	7	6	18
Italy	2	3	2	7
Japan	4	7	7	18
Korea			1	1
Kuwait	2			2
Malaysia		1	1	2
Netherlands	5	2	7	14
New Zealand			1	1
Norway			2	2
Qatar	1			1
Russian Federation		4		4
Singapore		1	2	3
Spain		3	4	7
Sweden	3	5	6	14
Switzerland		2	1	3
Taiwan	1			1
United Arab Emirates	2	1		3
United Kingdom	17	26	25	68
United Kingdom & Germany			1	1
Grand Total	**65**	**93**	**111**	**269**

Table I-12: Covered Transactions by Country or Economy: 2009-2011

Covered Transactions by Acquirer Home Country/Economy and Target Sector, 2009-2011					
Country/Economy	**Manufacturing**	**Finance, Information, and Services**	**Mining, Utilities, and Construction**	**Wholesale, Retail, and Transportation**	**Total**
Australia	1	2	2	3	8
Bermuda			1		1
Brazil	1				1
Canada	1	10	14	2	27
Cayman Islands				1	1
Chile			1		1
China	12	3	5		20
Estonia			1		1
Finland		2			2
France	18	1	4	4	27
Germany	2	4			6
Hong Kong	2				2
India	1	1			2
Israel	6	10		2	18
Italy	5	2			7
Japan	8	6	3	1	18
Korea		1			1
Kuwait			2		2
Malaysia		1		1	2
Netherlands	2	8	2	2	14
New Zealand	1				1
Norway	1		1		2
Qatar			1		1
Russian Federation		2	1	1	4
Singapore			3		3
Spain		5	2		7
Sweden	5	9			14
Switzerland	3				3
Taiwan	1				1
United Arab Emirates	3				3
United Kingdom	32	28	5	3	68
United Kingdom & Germany	1				1
Grand Total	**106**	**95**	**48**	**20**	**269**

Table I-13: Covered Transactions by Country or Economy and Target Sector: 2009-2011

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, 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 then choose to submit a request for withdrawal because, for example, a material change in the terms of the transaction warrants the filing of a new notice, the parties are abandoning the transaction (for commercial reasons or in light of a CFIUS determination to recommend that the President suspend or prohibit the transaction), or to provide additional time to answer remaining questions or to resolve remaining national security concerns. 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 2011, CFIUS approved the withdrawal of six notices. The parties withdrew one notice during the 30-day review period and five during the 45-day investigation period. In four cases, parties re-filed in 2011, and CFIUS concluded action in those cases. In two cases, the parties re-filed in 2012.

E. Mitigation Measures

From 2009 through 2011, 22 cases (eight percent) resulted in the use of legally binding mitigation measures. In 2011, CFIUS agencies negotiated, and parties adopted, mitigation measures for eight different covered transactions (seven percent). These measures involved acquisitions of U.S. companies engaged in software, computer programming, computer and electronic manufacturing, electrical equipment and component manufacturing, aerospace manufacturing, and finance. 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 2011 required the businesses involved to take specific and verifiable actions, including, for example:

- establishing a Corporate Security Committee, security officers, and other mechanisms to ensure compliance with all required actions, including annual reports and independent audits.
- ensuring compliance with established guidelines and terms for handling existing or future USG contracts and USG customer information.
- ensuring only U.S. persons handle certain products and services, and ensuring that certain activities and products are located only in the United States.
- notifying relevant USG parties in advance of foreign national visits to the U.S. business.
- notifying relevant USG parties of any material introduction, modification, or discontinuation of a product or service, as well as any awareness of any vulnerability or security incidents.
- ensuring continued production of certain products for relevant USG parties for specified periods.
- requiring a proxy entity to perform certain functions and activities of the U.S. business.

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:
    - o Are controlled by a foreign government.
    - o Are from a country with a record on nonproliferation and other national security-related matters that raises concerns.
    - o 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 addresses the requirement laid out in (i), and subsection II.B addresses the requirement laid out in (ii).

Definitions and 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, 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 Annual Report that are involved in research, development, or production of critical technologies. The Appendix also provides the definition of "coordinated strategy" for purposes of this section of the Annual Report, 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 Annual Report.

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

1. Key Finding

Based on its assessment of transactions identified by CFIUS for purposes of this report, the U.S. Intelligence Community ("USIC") judges with moderate confidence that there is likely a coordinated strategy among one or more 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. Indications of other coordinated strategies may go unobserved due to limitations on intelligence collection, or may be hidden or misconstrued because of foreign denial and deception activities.

2. Summary of Foreign M&A of U.S. Critical Technology Companies

Using the methodology described in the Appendix, CFIUS identified 114 planned or completed foreign mergers with, or acquisitions of, U.S. critical technology companies involving acquirers from 33 countries and economies. CFIUS agencies and the USIC evaluated all 114 transactions for indications of a coordinated strategy to acquire U.S. critical technologies.

3. Frequency of Activity by Countries/Economies and Companies

Table II-1[8] lists the originating countries or economies for planned and completed critical technology transactions in 2011:

Country/ Economy	Number of Transactions
United Kingdom	30
France	13
Japan	8
Canada	7
Netherlands	7
Germany	6
Israel	5
Switzerland	5
China	4
Singapore	4
Australia	3
Sweden	3
Finland	2
India	2
Norway	2
Spain	2
Austria	1
Belgium	1
Brazil	1
British Virgin Islands	1
Czech Republic	1
Denmark	1
Egypt	1
Hong Kong	1
Hungary	1
Italy	1
Luxembourg	1
Mexico	1
Oman	1
Poland	1
Russia	1
South Africa	1
Thailand	1

Table II-1: Home Country or Economy of Foreign Acquirers of U.S. Critical Technology Companies

[8] The number of transactions based on country/economy involvement exceeds the total number of transactions (114) due to some transactions involving more than one country/economy.

As shown in Figure II-1, the largest amount of merger and acquisition activity involving foreign acquisitions of U.S. critical technology companies involved targets whose primary activities are in the machinery and equipment sector.

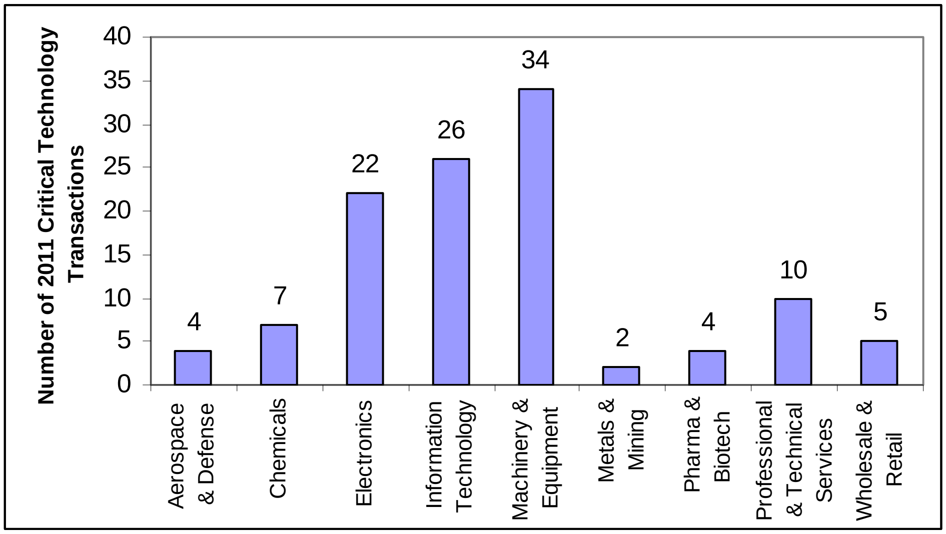


Figure II-1: Sectors of U.S. Critical Technology Companies Acquired in 2011

The data in this section of the Annual Report can also be analyzed by the home region of the foreign acquirers. Figure II-2[9] displays the data with the following regional breakdown: Europe (excluding Russia); East Asia; Canada, Australia & New Zealand; Middle East & North Africa; and Other. Seventy-seven transactions involved an investor in Europe (excluding Russia).

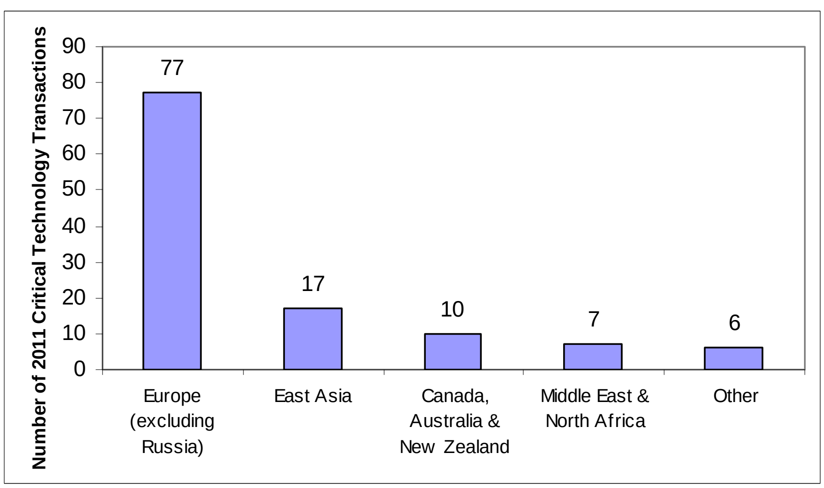


Figure II-2: 2011 Critical Technology Transactions by Region of Foreign Acquirer

[9] The number of transactions based on country/economy involvement exceeds the total number of transactions (114) due to some transactions involving more than one country/economy.

Figure II-3[10] shows the regional breakdown of activity by number of transactions in each sector. European (excluding Russian) investors were the most active acquirers of U.S. critical technology companies in all of the identified sectors except metals and mining.

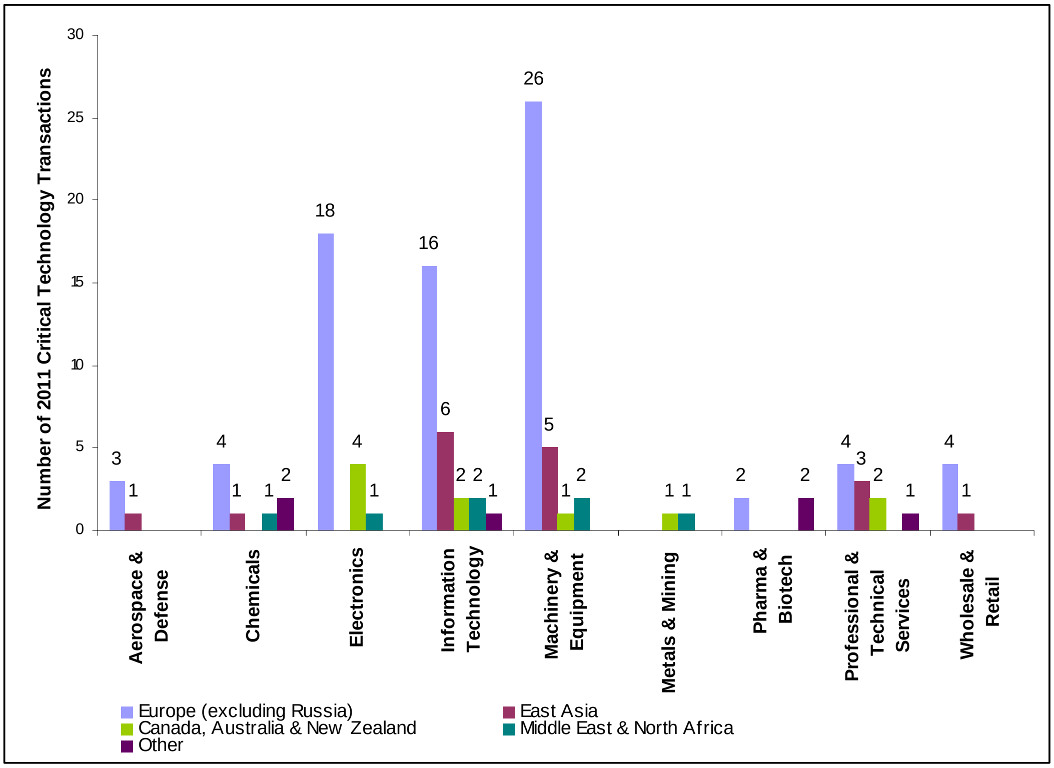


Figure II-3: 2011 Critical Technology Transactions by Region Within Each Sector

[10] The number of transactions based on country/economy involvement exceeds the total number of transactions (114) due to some transactions involving more than one country/economy.

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 U.S. critical 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, 2011, and December 31, 2011 ("CY 2011") ("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 $682.25 million. (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 over $682.25 million.) The total value of M&A transactions with publicly reported values by *all* foreign investors during CY 2011 exceeded $184 billion.

- The subject M&A transactions spanned a number of economic sectors.

- CFIUS considered each subject M&A 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 2011 pursuant to section 999 of the Internal Revenue Code and the countries identified by the Department of State in reporting to Congress during 2011 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:[11] Algeria, Iran, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, Sudan, Syria, the United Arab Emirates, and Yemen.

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 2011 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. (The same countries received this certification last year.)

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,[12] as listed in the Thomson ONE and S&P Capital IQ databases, two recognized commercial/financial databases.

- *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 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.

- *S&P Capital IQ database*: This database is a Standard and Poor's business that provides detailed profiles of M&A, private equity, venture capital, spin-offs, initial public offerings, bankruptcies, share buyback programs, and equity/debt public offering

[11] Iraq is not included on this CY 2011 list. However, Iraq was added to the "List of Countries Requiring Cooperation With an International Boycott" published by the Treasury Department on August 17, 2012, pursuant to section 999 of the Internal Revenue Code.
[12] 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 descriptions of the Thomson ONE and S&P Capital IQ databases, 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.

transactions. 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 excluded those that the S&P Capital IQ 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 12 completed M&A transactions in CY 2011 by investors from countries that comply with any boycott of Israel. These transactions involved investors from Kuwait, Lebanon, Saudi Arabia, and the United Arab Emirates.

The study did not find any subject M&A transactions by investors from Cuba, Iran, or Syria, which are countries that do not cooperate fully with U.S. antiterrorism efforts and which were subject to stringent economic sanctions during the relevant period. There also were no subject M&A transactions by investors from Eritrea, North Korea, or Venezuela — three countries that were also designated as not cooperating fully with U.S. antiterrorism efforts.

The combined value of the eight identified transactions with reported values is approximately $682.25 million. Thomson ONE and S&P Capital IQ report M&A transaction value only in those cases in which the companies announce the value publicly. Thomson ONE and S&P Capital IQ did not report, and Treasury staff was unable to determine independently, values for four of the 12 transactions analyzed in this section of the Annual Report. The value of the 12 total transactions, therefore, is necessarily greater than $682.25 million. 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 ($mn)
United Arab Emirates	4	$62.53
Saudi Arabia	4	$302.45
Kuwait	2	$317.27
Lebanon	2	n/a
Total	**12**	**$682.25**

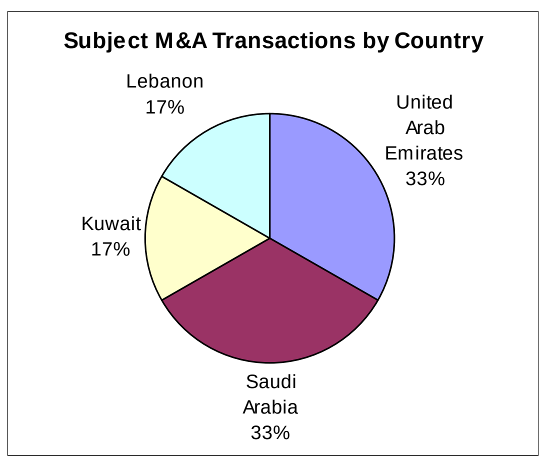


Figure III-1: Total Transactions by Country of Acquirer

The subject M&A transactions span several major sectors of the economy. Figure III-2 shows the industries represented by the 12 transactions, noting both the number and value of transactions for each sector. Transactions in the information technology sector – the largest category represented – include transactions in the software, telecommunications, and data processing and hosting industries.

Sector	Number of Transactions	Known Transaction Value ($mn)
Information Technology	4	$300.25
Manufacturing	3	$50.80
Professional, Scientific, and Technical Services	2	$14.00
Retail Trade	1	$2.20
Hotels	1	$315.00
Publishing	1	n/a
Total	**12**	**$682.25**

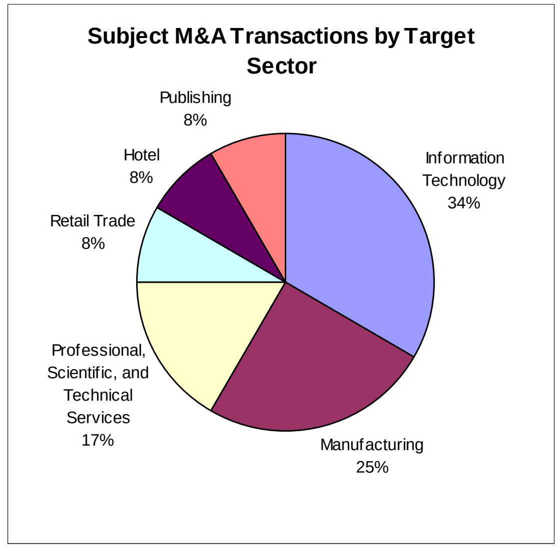


Figure III-2: Economic Sectors of U.S. Companies Acquired

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

Each of the 12 subject M&A transactions was 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 2011. 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)*: 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 maintains a robust registration, licensing, and compliance process 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)*: 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,[13] information on non-publicly announced M&A transactions notified to CFIUS, and its internal records of export license applications.

> *31 CFR § 800.209(c)*: This paragraph pertains to specially designed and prepared nuclear equipment, parts and components, materials, software, and technology specified in the Assistance to Foreign Atomic Energy Activities regulations (10 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 transactions[14] 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)*: 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 2011, while also considering transactions in prior years, as appropriate.
    - o CFIUS agencies concentrated on foreign direct investment through M&A of companies involved in all critical technologies, regardless of industry.

[13] The M&A transactions were identified using the Thomson ONE database and S&P Capital IQ database.
[14] The Thomson ONE database and S&P Capital IQ database were used.

- 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, Energy, and Business Affairs
    - Bureau of Political-Military Affairs
    - Bureau of International Security and Nonproliferation
- Department of the Treasury
- Intelligence Community Elements
    - Office of the Director of National Intelligence, National Intelligence Council
    - Air Force Office of Special Investigations

- Army Counterintelligence Center
- Central Intelligence Agency
- Defense Intelligence Agency
- Federal Bureau of Investigation, National Security Branch
- Department of Energy, Office of Intelligence and Counterintelligence
- Department of Homeland Security, Office of Intelligence and Analysis
- Department of State, Bureau of Intelligence and Research
- Department of the Treasury, Office of Intelligence and Analysis
- Marine Corps Intelligence Activity
- Office of the National Counterintelligence Executive, Community Acquisition Risk Section
- National Counterterrorism Center
- National Geospatial-Intelligence Agency
- National Security Agency
- Naval Intelligence (Office of Naval Intelligence and Naval Criminal Investigative Service)

* Executive Office of the President
  - Council of Economic Advisors
  - National Security Council
  - Office of Science and Technology Policy