

More Foreign Firms Halted U.S. Deals Amid Trump Administration Scrutiny: Report

By Reuters

WASHINGTON — More overseas companies investigated by U.S. authorities for national security concerns have abandoned investments in the United States since President Donald Trump took office, a report showed on Friday, signaling headwinds for key sources of funding for U.S. companies.

The report, released by the Committee on Foreign Investment in the United States (CFIUS), shows that foreign companies abandoned roughly 14 percent of U.S. investments that were investigated by CFIUS in 2017 "in light of CFIUS-related national security concerns." The percentage in 2018 was 11 percent.

Those figures were sharply up from the period immediately before Trump took office. About 4 or 5 percent of such transactions probed by the committee were dropped annually from 2014 to 2016, the report showed. The Committee, led by the Treasury Department, reviews foreign investment in the United States for national security issues.

The data does not identify the origin of the buyers who abandoned their investments. But attorneys who handle CFIUS cases said many are probably Chinese companies caught in a Trump administration campaign to stymie their efforts to acquire sensitive U.S. technology.

"It means that CFIUS is a problem, it is an obstacle to engaging in foreign direct investment in the United States," said Josh Gruenspecht, a CFIUS lawyer at Wilson Sonsini, noting that

the uptick in abandoned deals reflected a "changing mindset" about Chinese transactions at CFIUS.

Farhad Jalinous, a CFIUS attorney at White and Case, agreed that "there was a shift in judgment as to whether national security risks, in particular with respect to Chinese transactions, can be adequately mitigated."

But Chinese investment has sunk in the United States, as the Trump administration has beefed up oversight of foreign investment in key sectors, from critical technology to sensitive personal data and real estate, to keep China from delving into sensitive industries.

A senior Treasury official, however, said it was hard to draw conclusions from the rise in abandoned deals. "It could be very well for commercial reasons...There could be, in one year from the next, a greater percent of cases where the committee identified risks that couldn't be mitigated and the parties chose to abandon the transaction," the official said.

A law approved last year, known as FIRRMA, expanded the powers of CFIUS to probe transactions previously excluded from its purview, including attempts by foreigners to purchase non-controlling stakes in U.S. companies. It also instituted mandatory filing requirements for certain transactions.

Before those laws were passed, China accounted for the most investments in American critical technology in the 2016-2017 period, blowing past Canada, the United Kingdom and France to account for more than a fifth of the total for that period, the report shows. Meanwhile, the number of Chinese transactions rose from just 29 in 2015 to 60 in 2017.

The data also showed the proportion of deals that CFIUS decided to investigate doubled from 2014 to 2018.