

*American Petroleum Institute – Business Roundtable – Coalition for Employment Through Exports  
Coalition of Services Industries – Emergency Committee for American Trade  
Organization for International Investment – National Association of Manufacturers  
National Foreign Trade Council – Securities Industry Association  
U.S. Chamber of Commerce – U.S. Council for International Business*

September 27, 2005

The Honorable Richard Shelby  
Chairman, Committee on Banking, Housing and Urban Affairs  
United States Senate  
Washington DC 20510

The Honorable Paul Sarbanes  
Ranking Member, Committee on Banking, Housing and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Chairman Shelby and Senator Sarbanes:

We are writing to share the views of our business organizations in advance of the Banking Committee's hearing on Thursday, October 6, 2005 titled, "A Review of the CFIUS Process for Implementing the Exon-Florio Amendment." We commend you for scheduling this hearing on an area of the law that balances national security protection and vital economic interests. We believe the current review process appropriately strikes this important balance.

Following Exon-Florio's enactment in 1988, the President designated the Committee on Foreign Investment in the United States (CFIUS) as responsible for reviewing foreign acquisitions of U.S. firms for national security implications. Members of CFIUS are twelve of the highest level government officials, many with direct responsibility for national security (Assistant to the President for National Security Affairs, the Secretaries of Defense and Homeland Security, the Attorney General, etc.).

In our view, CFIUS investigations are extremely thorough. CFIUS representatives utilize the full intelligence capabilities of the U.S. government. The process involves interviews with senior executives from both companies involved in the potential transaction and often, first-hand visits to company facilities to see how critical technologies are protected, whether security procedures are in place and if American citizens are in command of major operational controls.

One aspect of CFIUS reviews that is not widely recognized is that the process provides a great deal of leverage to the U.S. government in terms of *changes* to potential transactions. If national security shortcomings are observed, they are corrected as a condition of approval. Numerous examples exist in which the parties under review sold key assets to U.S. buyers, granted access to telecommunications lines to U.S. law enforcement and committed to appointing American citizens as company directors. Thirteen transactions were withdrawn by the parties as a result of facing such scrutiny.

As you know, the United States is both the largest provider and recipient of foreign direct investment in the world. As such, it must protect its reputation for providing a fair and non-discriminatory investment environment. If the United States is viewed as becoming hostile to foreign investment, we put at risk U.S. firms who operate in foreign markets and the 5.3 million jobs in America insourced by foreign companies.

A number of legislative changes to the CFIUS process have been proposed in recent months, many of them motivated by a particular transaction. We believe these amendments are unnecessary and in some cases would significantly damage national economic interests while not improving national security.

In conclusion, we support the Committee's effort to better understand this important national security function. We are at your disposal should you or your staff wish to further discuss this important issue.

Sincerely,

***American Petroleum Institute  
Business Roundtable  
Coalition for Employment Through Exports  
Coalition of Services Industries  
Emergency Committee for American Trade  
Organization for International Investment  
National Association of Manufacturers  
National Foreign Trade Council  
Securities Industry Association  
U.S. Chamber of Commerce  
U.S. Council for International Business***