



Highlights of [GAO-08-320](#), a report to the Honorable Richard Shelby, Ranking Member, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

## Why GAO Did This Study

Foreign acquisitions of U.S. companies can pose a significant challenge for the U.S. government because of the need to balance the benefits of foreign investment with national security concerns. The Exon-Florio amendment to the Defense Production Act authorizes the President to suspend or prohibit foreign acquisitions of U.S. companies that may harm national security.

To better understand how other countries deal with similar challenges, GAO was asked to identify how other countries address the issues that Exon-Florio is intended to address. Specifically, this report describes selected countries' (1) laws and policies enacted to regulate foreign investment to protect their national security interests and (2) implementation of those laws and policies.

This report updates a 1996 GAO report that describes how four major foreign investors in the United States—France, Germany, Japan, and the United Kingdom—monitored foreign investment in their own countries to protect national security interests. It also examines foreign investment in six additional countries: Canada, China, India, the Netherlands, Russia, and the United Arab Emirates (UAE). GAO reviewed selected laws and regulations and interviewed foreign government officials and others concerning their implementation and any planned changes to their foreign investment laws, regulations, and policies.

To view the full product, including the scope and methodology, click on [GAO-08-320](#). For more information, contact Ann Calvaresi-Barr at (202) 512-4841 or [calvaresibarra@gao.gov](mailto:calvaresibarra@gao.gov).

## FOREIGN INVESTMENT

### Laws and Policies Regulating Foreign Investment in 10 Countries

#### What GAO Found

As is the case in the United States, the countries we reviewed have enacted laws and instituted policies regulating foreign investment, often to address national security concerns. However, each of the 10 countries has its own concept of national security that influences which particular investments may be restricted. As a result of the differing concepts, restrictions range from requiring approval of investments in a narrowly defined defense sector to broad restrictions on the basis of economic security and cultural policy. In addition, some countries have recently made changes to their laws and policies to more explicitly identify national security as an area of concern, in some cases as the result of controversial investments. Several countries have also introduced lists of strategic sectors in which foreign investment requires government review and approval.

While there are many unique characteristics of the systems employed by the 10 countries to regulate foreign investment, in many ways the systems are similar to each other, and to the U.S. process under Exon-Florio. Eight countries use a formal review process—usually conducted by a government economic body with input from government security bodies—to review a transaction. Generally, national security is a primary factor or one of several factors considered in evaluating transactions. While the concepts of national security vary from country to country, all countries share concerns about a core set of issues. These include, for example, the defense industrial base, and more recently, investment in the energy sector and investment by state-owned enterprises and sovereign wealth funds. Most countries have established time frames for the review and can place conditions on transactions prior to approval. For example, a country may place national citizenship requirements on company board members.

However, unlike the voluntary notification under Exon-Florio, most countries' reviews are mandatory if the investment reaches certain dollar thresholds or if the buyer will obtain a controlling or blocking share in the acquired company. Further, unlike the United States, five countries allow decisions to be appealed through administrative means or in court.

Two countries do not have a formal review process. The Netherlands restricts entry into certain sectors such as public utilities, and the UAE restricts the extent of ownership allowed in all sectors without a review. In addition to the formal mechanisms, there are unofficial factors that may influence investment in each of the 10 countries. For example, in some countries an informal government preapproval for sensitive transactions may be needed.

In commenting on a draft of this report, the Department of the Treasury emphasized the United States' commitment to an open investment policy.