Internet Appendix 1. Mitigation Measures

CFIUS revised foreign takeovers to require the following concessions from foreign acquirers:

- Allowing the U.S. government (USG) to review certain business decisions and object if they raise national security concerns
- Termination of specific activities of the U.S. business
- Ensuring that only authorized persons have access to certain technology and 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
- Ensuring compliance with established guidelines and terms for handling existing or future USG contracts and USG customer information
- Establishing guidelines and terms for handling existing or future USG contracts, USG customer information, and other sensitive information
- Ensuring only U.S. persons handle certain products and services and that certain activities and products are located only in the U.S.
- Notifying security officers or relevant USG parties in advance of foreign national visits to the U.S. business for approval
- 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 the following:

- Increasing USG staffing levels and assigning staff responsibilities for monitoring compliance
- Designing tracking systems to monitor required reports
- Periodic reporting to USG agencies by the companies
- Onsite 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

Source: CFIUS Annual Reports

Internet Appendix 2. Media Mentions of CFIUS and Foreign Takeovers

These excerpts were compiled from Factiva using the search terms "CFIUS" OR "Committee on Foreign Investment in the United States" OR "Committee on Foreign Investment in the U.S." Data were retrieved on May 21, 2016.

> "ChemChina aims to complete the deal (to purchase Syngenta AG) by the end of 2016.... While the transaction has to gain approval from antitrust authorities in Europe and elsewhere, the toughest scrutiny is expected to come from a U.S. national security panel called the Committee on Foreign Investment in the United States, or CFIUS."

- Intellasia, May 18, 2016

> "Tsinghua Unisplendour, a Chinese state-controlled company, dropped plans to buy 15% of Western Digital, an American maker of computer hard-drives, for $3.8 billion. The Chinese withdrew after the Committee on Foreign Investment in the United States, a government body, said it would review the deal."

- The Economist (Espresso), February 24th, 2016

> "The proposed takeover of the Chicago Stock Exchange by a group of Chinese investors is stirring controversy in Washington, where lawmakers have urged the Obama administration to submit the deal to a national security review.... Forty-five members of Congress wrote to the U.S. Treasury department in a letter this week urging that the deal be reviewed by the Committee on Foreign Investment in the U.S., or CFIUS, which has the power to block any deal that jeopardises U.S. national security. John Kerin, chief executive of the Chicago Stock Exchange, told the Financial Times that referring the deal to CFIUS was 'reasonable' and that the exchange had intended to do it itself."

- Financial Times, February 18, 2016

> "Fairchild Semiconductor turned down a $2.6 billion bid from Chinese state-backed enterprises China Resources and Hua Capital over fears that it would be blocked by U.S. regulators. Instead, Fairchild accepted a lower bid of $20 per share from US-based ON Semiconductor."

- Financial Times, February 18, 2016

> "Philips' plans to sell a lighting business to a Chinese-backed private equity fund have collapsed after the $3 billion deal was blocked by the US government over 'unforeseen concerns.'… The deal was opposed by the U.S. Committee on Foreign Investment in the United States, a government body that reviews financial deals to determine if they will result in a foreign nationality person controlling a U.S. business.… Go Scale Capital acknowledged it and Philips had been unable to resolve CFIUS's 'unspecified concerns.'"

- Financial Times, January 23rd, 2016.

> "Morgan Stanley said its sale of certain oil-trading and storage businesses to OAO Rosneft may fall apart as tensions between the U.S. and Russian governments leave the deal in limbo…. Confidence that the sale will ever secure CFIUS's blessing has faded as the U.S. escalated its response to Russia's interference in Ukraine."

- Dow Jones News Service, October 10, 2014

“Lenovo's Motorola deal comes a week after it announced a $2.3 billion acquisition of IBM's low-end server business, which will also be closely reviewed by CFIUS but might not encounter major issues. It is the second Lenovo deal with IBM, coming more than eight years after Lenovo acquired IBM's PC business, including the ThinkPad.… Lenovo had to make some compromises to win CFIUS clearance for the PC business, including giving up sales to U.S. government customers.”

- Financial Times, February 2, 2014

“The $4.7 billion acquisition of Smithfield Foods by Shuanghui International is likely to be cleared by the U.S. Treasury department, moving it a step closer to what would be the largest ever Chinese takeover of a U.S. company, according to people familiar with the matter. The Committee on Foreign Investment in the United States has signalled that it is leaning towards clearing the deal, and the companies could learn of the body's decision as early as Thursday, the people said. CFIUS declined to comment. Smithfield, the U.S.'s largest pig farmer, said it could not comment on the CFIUS review.”

- Financial Times, September 5, 2013

“In 2008, Huawei retracted a bid with Bain Capital for 3Com, a U.S. technology company, after it became clear the deal would not pass CFIUS scrutiny. People familiar with the CFIUS process say U.S. concerns about Huawei are based on classified information known to only a handful of officials.”

- Financial Times, April 8, 2011

“The planned merger of Deutsche Börse and NYSE Euronext has moved a step closer after a key U.S. regulatory body approved the $9.4 billion merger without objection. Clearance by the Committee on Foreign Investment in the United States (CFIUS), a government panel that vets foreign takeovers of U.S. assets, means the deal, which would create the largest exchanges company in the world by number of listings, faces only one more significant hurdle - clearance from European competition authorities.”

- Financial Times, August 24, 2011