



March 29, 2006

The Honorable Richard Shelby
Chairman, Senate Committee on Banking, Housing, and Urban Affairs
110 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Paul S. Sarbanes
Ranking Member, Senate Committee on Banking, Housing and Urban Affairs
309 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Shelby and Senator Sarbanes:

I am writing to you on behalf of the Electronic Industries Alliance (EIA), the Government Electronics and Information Technology Association (GEIA), and Telecommunications Industry Association (TIA), representing some 1,300 high-tech companies. We as an industry recognize the need for the U.S. government to conduct reviews of foreign purchases and investments that may affect our nation's national security. We recognize the importance of Congress' reviewing and updating the framework established (through the Committee on Foreign Investment in the U.S. – or CFIUS) to protect national security. However, we are concerned that the proposed Foreign Investment and National Security Act of 2006, while attempting to achieve worthy goals, may have serious unintended consequences that may weaken the U.S. economy and actually have negative impacts on national security by weakening our commercial ties with trading partners and driving investment offshore.

As you are aware, foreign direct investment (FDI) in the U.S. is significant – some \$2.7 trillion as of 2004. Non-U.S.-headquartered high-tech companies provide thousands of jobs in the United States and contribute to a robust communications sector that is critical for growth in other parts of the economy. The communications, high-tech, and defense industries are fiercely competitive and global in nature. Communications do not stop at borders, and suppliers of both equipment and services must meet the needs of global consumers. Many U.S. companies earn a significant portion of their revenue – much of which flows back into the United States – outside of our nation's borders

We are therefore, very concerned by legislative proposals that would make less objective the process for approval of new foreign direct investments (FDI) and divert attention from the strict national security criteria established by existing legislation. Any legislation that politicizes the national security review process or force companies to share widely sensitive commercial information will likely cause retaliation from our trading partners. Many are already too eager to do so, and this result would be counterproductive for everyone in terms of both national security and economic growth.

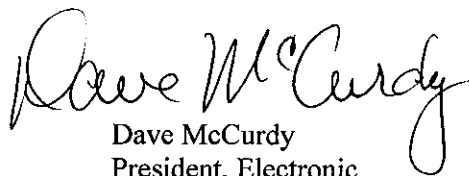
We believe that in considering revisions to the CFIUS process, the Committee should look to the principles agreed to by a broad coalition of firms. These include:

- Foreign investment in the U.S. that might affect U.S. national security should be subject to special review by the President and the Executive Branch government agencies that are designated.
- The national security investment review process must be objective, fact-based, and analytically rigorous.
- The national security investment review process must be focused on national security issues- a broad and flexible definition that could be undercut if redefined.
- The national security investment review process must promote full use of sensitive and classified information, including protecting the confidential information of all parties from public disclosure.
- The national security investment review process must operate on a case-by-case basis and be sufficiently flexible to cover new national security issues as they arise.
- The national security investment review process must operate in a timely manner.
- The national security investment review process must not become a substitute for other more targeted and effective tools to protect U.S. national security.

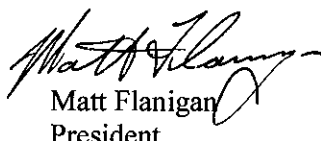
Collectively, the high-tech, telecommunications and defense sectors are concerned that this legislation will make the U.S. less attractive in the competition for FDI, and that dollars that would have been invested in the U.S. will instead be invested elsewhere. This would be counterproductive for the U.S. economy and national security.

The United States must maintain a fair and objective foreign investment review process that ensures U.S. national security, while still encouraging investments that strengthen the U.S. economy. We are concerned that elements of the Foreign Investment and National Security Act of 2006 detract from this goal, rather than advance it. We would welcome the opportunity to work with the Committee to ensure that any legislation ultimately considered meets these objectives.

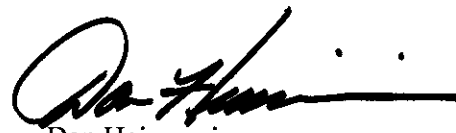
Sincerely,



Dave McCurdy
President, Electronic
Industries Alliance



Matt Flanigan
President,
Telecommunications
Industry Association



Dan Heinemeier
President, Government
Electronics and
Information Technology
Association