

News story: Government upgrades national security investment powers

- Strengthened powers will upgrade UK national security merger rules whilst maintaining openness to international investment
- proposals build on the UK's robust merger and takeover regime and ensures it keeps pace with new technologies and innovation
- measures include new powers to scrutinise the purchase of assets such as intellectual property if they raise national security concerns

The UK has a proud and hard-won reputation as one of the most open economies in the world. A large part of our economic success stems from our belief in open international trade and our support for foreign direct investment, with international investment creating 76,000 jobs last year.

An open approach to international investment must include appropriate safeguards to protect our national security – particularly in a world where the threats faced by global economies are evolving – and in a small minority of investments there are national security considerations which should be scrutinised.

The National Security and Investment White Paper, announced today (Tuesday 24 July) by the Business Secretary Greg Clark, sets out how the government will upgrade its powers to scrutinise investments and address the risks that can arise from hostile parties acquiring ownership of, or control over, businesses or other entities and assets that have national security implications.

Business Secretary Greg Clark said:

Britain is recognised the world over as one of the best places to do business, attracting investment that benefits communities and workers across the country. To retain this hard-won reputation our merger and takeovers rules need to be responsive to technological, economic and national security changes.

These proposals will ensure we have the appropriate safeguards to protect our national security whilst ensuring our economy remains unashamedly pro-business and open to high levels of foreign investment in the future.

The proposals are consistent with many of our major partners and allies around the world, including countries such as Australia, Japan, Germany, and the U.S, who have and are similarly looking to upgrade their powers. The proposals also reflect feedback from businesses and investors and will ensure the UK remains a leading open and liberal trading nation whilst protecting

our national security.

Under the White Paper proposals, the government will encourage businesses and investors to notify it ahead of transactions that might give rise to national security risks. The majority of transactions raise no national security concerns and the government expects to quickly rule out national security risks in most cases, allowing parties to proceed with certainty.

The White Paper proposes how the government would be able to “call in” transactions that may give rise to national security risks to assess them more fully. This “call-in” power would be economy-wide, reflecting the need for flexibility to address national security risks wherever they arise. Measures will also ensure that hostile parties or groups cannot circumvent our rules by acquiring an asset that has national security implications, such as intellectual property, rather than acquiring the business itself.

The remedies proposed by the government include:

- confirmation to proceed
- approval subject to conditions
- and – in the rare circumstances where it is the only available course of action – blocking or unwinding a deal, where this has already taken place

The government believes that the proposed package of reforms published today strikes the right balance between maintaining the openness and attractiveness of the UK as a destination for inward investment, while also providing the government with modernised powers it needs to protect the country.

- In June 2018, Parliament enacted secondary legislation to amend the thresholds in the Enterprise Act 2002 for three specific areas of the economy, military/dual-use, computing hardware and quantum technology, enabling the government to intervene in more mergers that may raise national security concerns
- to provide maximum certainty and clarity to business and investors, the government will publish a statement of policy intent, setting out how the “call-in” power is expected to be used. A draft of this document will be published later today
- the White Paper delivers on the Prime Minister’s commitment to bring forward proposals to consolidate and strengthen government’s powers to protect national security