

# The New York Times

## Trump Blocks Broadcom's Bid for Qualcomm

By CECILIA KANG and ALAN RAPPEPORT MARCH 12, 2018



Broadcom had been trying for months to buy Qualcomm, and announced that it would relocate to the United States from Singapore to help win approval of the deal. Graham Walzer for The New York Times

WASHINGTON — President Trump on Monday blocked Broadcom's \$117 billion bid for the chip maker Qualcomm, citing national security concerns and sending a clear signal that he was willing to take extraordinary measures to promote his administration's increasingly protectionist stance.

In a presidential order, Mr. Trump said "credible evidence" had led him to believe that if Singapore-based Broadcom were to acquire control of Qualcomm, it "might take action that threatens to impair the national security of the United States." The acquisition, if it had gone through, would have been the largest technology deal in history.

Mr. Trump's decision to prohibit the blockbuster deal underscored the lengths that he is willing to go to shelter American companies from foreign competition. In recent weeks, the president has turned to an arsenal of tools — including tariffs and an obscure government review panel — to ward off foreign control in American industries and, in particular, thwart the rise of China.

The president has focused many of these actions on the technology industry. While the United States has long claimed an advantage in tech, it is now facing emboldened rivals in China, where the government has heavily invested in everything from semiconductors to wireless networks to artificial intelligence. Through its recent actions, the White House has revealed its view that the country's national security is tied to its advancement of those technologies.

National security was also cited by Mr. Trump last week when he approved stiff and sweeping tariffs on imported steel and aluminum, saying those imports were a threat to American manufacturing. Mr. Trump singled out Chinese steel as a key factor in his decision; he has said that China has routed steel through other countries and flooded the United States with cheap metal.

“There is a perception within the administration that China does not economically engage fairly with the United States and this action shows it will exercise various remedies to adjust the playing field to even the Sino-U.S. economic relationship,” said Tony Balloon, the head of the China corporate consulting practice at the law firm Alston & Bird.

Mr. Trump was given an opening to block Broadcom's bid for San Diego-based Qualcomm earlier this month. That was when the Committee on Foreign Investment in the United States, or Cfius, a government panel that typically works behind closed doors and reviews deals only after they are announced, said it would stall Broadcom's bid because of national security concerns while it examined the deal.

Broadcom said it was reviewing Mr. Trump's order, and disputed the notion that the bid posed a security threat.

“Broadcom strongly disagrees that its proposed acquisition of Qualcomm raises any national security concerns,” a company spokesman said in a statement.

While Broadcom is based in Singapore, China was the main concern that drove Mr. Trump's decision over the Qualcomm deal, because allowing an American technology company to be acquired would cede its primacy in the semiconductor and wireless industry.

Steven Mnuchin, the Treasury Secretary, said in a statement that the decision was part of the administration's "commitment to take all actions necessary to protect the national security of the United States."

He said the order was based "on the facts and national security sensitivities related to this particular transaction only and is not intended to make any other statement about Broadcom or its employees, including its thousands of hard working and highly skilled U.S. employees."

Yet the order will undoubtedly raise questions about the extent to which the Trump administration is willing to intervene in private-sector decisions. While Qualcomm opposed Broadcom's bid and had reached out to the foreign investment committee for a review, the proposal was nonetheless headed to the company's shareholders for a vote. The foreign investment committee intervened before that could happen, refusing to let the shareholder meeting take place until after it had a chance to investigate.

John P. Kabealo, an attorney who specializes in foreign investment matters, said it was "extraordinary" that Mr. Trump would intervene in the transaction before a full investigation by the government panel was complete.

"It certainly aligns with the administration's willingness to be more active in trade and implementing protectionist policies," he said. "It is definitely a much more activist policy than the previous administration."

Mr. Kabealo said the president's order could dramatically change the world of mergers and acquisitions and open the door to the possibility that more bankers and lawyers would use reviews by the foreign investment committee to block hostile takeovers on national security grounds.

The president said his decision to block Broadcom's bid had been based on the review by the foreign investment committee. The panel had said that the leadership of Qualcomm, which makes wireless chips and also licenses key wireless patents, was too important to let go of. The committee argued that economic leadership in next-generation high-speed mobile networks known as 5G, in which Qualcomm is a key player, was also a national security interest.

"China would likely compete robustly to fill any void left by Qualcomm as a result of this hostile takeover," a United States Treasury official wrote in a letter to the companies last week.

As part of the presidential order, the United States also barred the 15 individuals who Broadcom had proposed for Qualcomm's board from running, saying they were "disqualified from standing for election as directors of Qualcomm."

Qualcomm acknowledged receiving the presidential order and said it had been told to reconvene its shareholder meeting at the earliest possible date, March 23.

A presidential action against foreign investment in an American company is rare and has only taken place four times in the past 30 years, according to the law firm Ropes & Gray. Scrutiny of foreign companies buying United States assets ramped up under President Barack Obama, including a presidential order barring a Chinese company from purchasing Aixtron, a German company with American assets, on national security grounds in 2016.

Under Mr. Trump, several deals involving foreign buyers have been squelched after a review by the foreign investment committee, including Moneygram's sale to an affiliate of the Alibaba Group and Lattice Semiconductor's sale to an investment firm with reported ties to the Chinese government. But the action against Broadcom was unusual because mergers are rarely killed before a publicly traded company's shareholders are given the chance to decide on the offer for themselves.

The decision was a blow to Broadcom, which under its chief executive, Hock Tan, has built itself up through several acquisitions. Mr. Tan had gone to great lengths to deflect concerns by American regulators and the Trump administration, including appearing in a televised speech at the White House with Mr. Trump last November, during which Mr. Tan promised to redomicile Broadcom in the United States.

Broadcom had at one point in its negotiations with Qualcomm also offered to up its offer to acquire the company. After the foreign investment committee announced its investigation into the Qualcomm bid this month, Broadcom hastened plans to move its headquarters to the United States and sent a letter to lawmakers promising it would not slow research and development in 5G networking technology if the merger were approved.

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A version of this article appears in print on March 13, 2018, on Page A1 of the New York edition with the headline: Trump Blocks Overseas Takeover of Qualcomm.

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