

Trump's Order Stops ALL Foreign Takeovers of Large US Tech Companies

by [Wolf Richter](#) • Mar 12, 2018

“Any substantially equivalent merger, acquisition, or takeover, whether effected directly or indirectly, is also prohibited.”

President Trump signed a far-ranging [executive order](#) late Monday that blocked the \$117-billion hostile takeover of Qualcomm by Broadcom, a Singapore-based company, on concerns over national security. This crushed any hopes that remained in some corners of seeing what would have been the largest tech deal ever. But the order was far broader: It blocked all such deals.

The original Broadcom was a storied American company, dating back to the 1960s when it was part of Hewlett-Packard. It was turned lose in the 1990s as part of the dismantling of H-P and IPO'ed in 1998 as one of the dotcom darlings.

In May 2015, Singapore-based chipmaker Avago Technologies announced that it would acquire Broadcom for \$37 billion, the largest tech deal since the dotcom bubble.

Thus Broadcom became a subsidiary of a foreign company that then took on Broadcom's name. Just imagine the fees for Wall Street, which loves these mega-deals.

But the Trump White House is not so enamored with these foreign takeovers of US tech companies. Trump's order said this:

There is credible evidence that leads me to believe that Broadcom Limited, a limited company organized under the laws of Singapore (Broadcom), along with its partners, subsidiaries, or affiliates, including Broadcom Corporation, a California corporation, and Broadcom Cayman L.P., a Cayman Islands limited partnership, and their partners, subsidiaries, or affiliates (together, the Purchaser), through exercising control of Qualcomm Incorporated (Qualcomm), a Delaware corporation, might take action that threatens to impair the national security of the United States.

And it isn't just Broadcom that is targeted with this order. It's all foreign takeovers of large US tech companies:

The proposed takeover of Qualcomm by the Purchaser is prohibited, and any substantially equivalent merger, acquisition, or takeover, whether effected directly or indirectly, is also prohibited.

The order was categorical:

The Purchaser and Qualcomm shall immediately and permanently abandon the proposed takeover. Immediately upon completion of all steps necessary to terminate the proposed takeover of Qualcomm, the Purchaser and Qualcomm shall certify in writing to the Committee on Foreign Investment in the United States (CFIUS) that such termination has been effected in accordance with this order and that all steps necessary to fully and permanently abandon the proposed takeover of Qualcomm have been completed.

It included all kinds of provisions. For example, if Broadcom tries to get cute and dodge the order in some manner, such as quickly domiciling in the US to become a US company on paper, which it has been trying to do to get around any resistance, those efforts will also be “prohibited”:

Any transaction or other device entered into or employed for the purpose of, or with the effect of, avoiding or circumventing this order is prohibited.

In a [letter](#) to the lawyers of both companies on May 5, CFIUS – a multi-agency panel that reviews foreign takeovers of US companies for national security considerations – had raised concerns about, among other things, China’s efforts to dominate the 5G technology:

While the United States remains dominant in the standards-setting space currently, China would likely compete robustly to fill any void left by Qualcomm as a result of this hostile takeover. Given well-known U.S. national security concerns about Huawei and other Chinese telecommunications companies, a shift to Chinese dominance in 5G would have substantial negative national security consequences for the United States.

In its [letter](#) to both parties on Sunday, CFIUS indicated that it might soon recommend Trump prohibit the merger – which is what Trump ended up doing today. It said that Broadcom had violated repeatedly one of the panel’s orders by trying to accelerate the domiciliation without enough consultation with the US government.

This was in response to Broadcom’s announcement on Friday – fast-moving stuff! – that it would accelerate a shareholder vote on its domiciliation to the US from to March 23, from May 6, which would have allowed Broadcom to move its paper headquarters to the US by April 3, **just before Qualcomm’s shareholder vote on the merger.**

In doing so, Broadcom figured that it would be outside the jurisdiction of CFIUS and could dodge US government opposition. But it apparently hadn't counted on a President that's simply not inclined to pussyfoot around these issues.

The US trade deficit in goods and services has been deteriorating sharply since last August. And in January it got a lot worse, with impeccable timing. Read