



Department for
Business, Energy
& Industrial Strategy

The Rt Hon Alok Sharma MP
Secretary of State
Department for Business,
Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

The Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

11 November 2020

Dear Mel,

National Security and Investment

I am writing to update you on the Government's proposed reforms on national security and investment. The Government is today publishing the Government response to the 2018 White Paper consultation along with an Impact Assessment, and the National Security and Investment Bill will be introduced in the House of Commons later this afternoon. The Government is also today releasing a public consultation on the legal definitions of the sectors the Government proposes are subject to mandatory notification.

This Government will always enthusiastically champion free trade, recognising that the UK economy thrives as a result of foreign direct investment (FDI). Investment in UK plc boosts productivity by backing businesses to create good jobs and develop skills, and will help support our economic recovery from COVID-19.

However, an open approach to international investment must include appropriate safeguards to protect our national security including the safety of our citizens. Our current powers to prevent hostile foreign investment in our businesses are set out in the Enterprise Act 2002. Technological, economic and geopolitical changes over the last 20 years mean that reforms to the Government's powers to scrutinise transactions on national security grounds are required. Several of our allies, including the United States, Australia and Japan, have also made changes to their investment screening processes in recent years.

The Government has been clear about its intention to introduce new powers in this area and as we rebuild from COVID-19 where sensitive British businesses may be vulnerable, we must go further and ensure that the Government can intervene in any deal across the economy that raises national security risks.

That is why the Government is bringing forward the National Security and Investment Bill. The reforms the Government is proposing to our investment screening approach will ensure the UK remains a top investment destination globally, whilst providing a proportionate defence against hostile actors targeting our country.

The Government has decided to make a number of changes to the proposals it put forward in the White Paper in 2018, to ensure our proposals are sufficiently robust in

their ability to tackle the myriad challenges the Government and businesses now face. We will now introduce a mandatory notification system for transactions in specified sectors of the economy. This will ensure that the Government is automatically informed of potential transactions in these crucial sectors, and able to take action swiftly to investigate and mitigate any national security risks.

The Government will be obliged by law to publish a statement about how it expects to use the powers, and an annual report will be presented to Parliament each year with key details about how the regime is functioning.

These reforms will bring the UK in line with many of our Five Eyes allies' investment screening regimes and introduce certainty for business and our valued overseas investors.

Interactions with Government will be made simpler, quicker and slicker by providing clear timelines by which the Government must take decisions in relation to transactions, and, once they have been given, the Government will not be able to revisit them, except in exceptional circumstances where false or misleading information has been provided. The administrative process for businesses will also be smoother compared to the current regime, making use of an online portal.

I hope you will agree that these proposals strike the right balance between protecting national security and preserving the position of the UK as an open and liberal international trading partner, and a global champion of free trade and investment. It is more vital than ever that we get this balance right.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'Alok Sharma', with a stylized, sweeping flourish.

THE RT HON ALOK SHARMA MP
Secretary of State for Business, Energy & Industrial Strategy