Foreign & Commonwealth Office

King Charles Street
London SW1A 2AH

Secretary of State

30 April 2020

Tom Tugendhat MBE MP
Chair, Foreign Affairs Committee
House of Commons
London
SW1A 0AA

Dear Tom,

Thank you for your letter of 8 April 2020 requesting further information on the Foreign and Commonwealth Office's actions in relation to the purchase of Imagination Technologies Group in 2017. On 6 April 2020 the Secretary of State for Digital, Culture, Media and Sport (DCMS) wrote to you on this matter as the lead department on the emerging technology sector, of which Imagination Technologies Group is a part. As the Culture Secretary set out to you the government takes matters as these extremely seriously. The FCO has been supporting urgent work by DCMS, and other colleagues across government, to mitigate any potential negative impact on the UK.

As you are aware, the Government's current powers to intervene in mergers that may raise national security concerns are contained in the Enterprise Act (2002), which establishes key parts of the UK's competition regime. The FCO plays an important role in scrutinising foreign direct investment cases that threaten the UK's national security, as part of the cross-Whitehall investment screening and review process that operates in accordance with the Enterprise Act 2002. The FCO's input to this process is to ensure foreign policy and economic diplomacy considerations form part of the basis on which decisions are taken. The FCO contributes expert advice from London and our overseas network. I look forward to discussing this further in my response to the FAC's recently announced inquiry into the FCO's role in such decisions.

The 2017 Imagination Technologies Group transaction was considered under this screening and review process. The FCO provided advice on the foreign policy and economic diplomacy considerations of the deal. The FCO was aware of the ownership structure of Canyon Bridge, including Chinese involvement and this was considered in the advice we provided. It would not be appropriate to discuss the details of the advice and the decision made at the time due to commercial, legal, relationship and security sensitivities, which remain current. In cases reviewed by the screening process, communication between the Government and companies is the responsibility of the lead department for the sector, in this case DCMS.

The government is committed to making the UK the best place in the world to do business. The UK is a strong advocate for free trade; this has helped drive growth and wealth in the UK and around the world. However, we will take the necessary actions to ensure that our national security is protected. A small number of investment activities, mergers and transactions in the UK economy pose a risk to our national security. For the cases that do pose a risk, it is vital that the Government is able to intervene in order to prevent or mitigate those risks. The Department for Business, Energy and Industrial Strategy will shortly bring forward the National Security and Investment Bill to strengthen our regime in this area.

I am copying this letter to the Prime Minister, the Secretary of State for Business, Energy and Industrial Strategy, and the Secretary of State for Digital, Culture, Media and Sport.

Yours sincerely,

THE RT HON DOMINIC RAAB MP