

# United States Senate

WASHINGTON, DC 20510

July 19, 2005

President George W. Bush  
The White House  
Washington, D.C. 20501

Dear Mr. President:

We are writing to urge you to direct the Committee on Foreign Investment in the United States (CFIUS) to conduct a full investigation into the proposed acquisition of UNOCAL by one of China's government-owned energy companies, the China National Offshore Oil Corporation (CNOOC).

Sec. 721 of the Defense Production Act, known as the Exon-Florio amendment, authorizes you to convene CFIUS for the purpose of reviewing proposed foreign acquisitions, mergers or takeovers of a U.S. corporation that may threaten the security of the United States, and pending such review, to suspend or prohibit the transaction if it threatens U.S. national security and other laws are inadequate to protect the national security.

It is our understanding that CNOOC has proposed an all-cash purchase of \$18.5 billion for Unocal. The financing for this purchase reportedly is coming directly and indirectly from the Chinese Government, including \$6 billion from the Industrial and Commercial Bank of China and \$7 billion from CNOOC's parent company, China National Offshore Oil. Press reports indicate the proposal was vetted by China's Assets Supervision and Administration Commission and approved by China's cabinet, the State Council. The offer is not a typical garden-variety purchase of a United States company by another private company domiciled abroad: the buyer is a state-run entity and the financing comes from the Chinese government.

We believe that the proposal raises significant questions affecting U.S. energy and national security, and that in addition to the statutory factors CFIUS is required to review, the Committee should also examine the following:

Whether the oil and gas produced by Unocal under CNOOC in the United States would continue to be available and sold in the U.S.;

Whether the arrangement would enable the Chinese government to influence or manipulate the supply or price of oil and gas produced by Unocal;

Whether market forces will determine the exploration and development of oil and gas resources held by Unocal or will the Chinese government or any of its state-controlled entities determine their exploration and development;

Whether the proposal will affect employment of United States citizens by Unocal;

Whether the proposal is expected to be followed by proposals by other Chinese government owned or controlled entities to acquire other energy assets belonging to United States corporations; and

Whether the proposal is consistent with the commitments China made to pursue a free-market economy in joining the World Trade Organization.

The emergence of China as a world economic, military, and diplomatic power is one of the most important matters facing the United States and the American people. We believe it is important to develop a coherent and comprehensive set of policies to address the emergence of China, and that a CFIUS investigation will provide a critical building block in this effort.

Sincerely,

Mark  
Jim Jelbeck  
Kent Conrad  
Norm Coleman  
Erin Boych

Bill Nelson  
Almy  
Russell O'Feingell  
James Johnson

Cc: The Honorable John Snow, Secretary of Treasury