

United States Senate

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

In your capacity as Chair of the Committee on Foreign Investment in the United States (CFIUS), I write to draw your attention to potential national security concerns arising from the proposed acquisition of Vista Outdoor's Sporting Products business ("Vista Sporting Products") to Czechoslovak Group ("CSG")¹, a foreign arms dealer with ties to China that has been recently acquiring key suppliers of ammunition and primers used by the U.S. military and law enforcement.²

Specifically, I would like to highlight three specific concerns that have emerged about this proposed acquisition, which could significantly weaken U.S. national security if CFIUS were to approve the sale of Vista Sporting Products to CSG:

1) CSG would immediately control nearly 70% of production capacity for primers in the western world.³

Given the role of primers as a critical component for the manufacture of all ammunition, along with significant global demand for primers and ammunition amidst the current wars in Ukraine and Israel, CSG would have a dominant market position that would provide the company with an outsized role when it comes to setting prices and fulfilling orders. This is particularly concerning given the hundreds of millions of dollars in contracts Vista Sporting Products holds with the U.S. Army, Federal Bureau of Investigations (FBI), Secret Service, Customs and Border Protection (CBP) and local law enforcement.

2) The U.S. Army could become solely reliant on a single U.S. contractor to operate its Lake City Army Ammunition Plant (Lake City) in Independence, Missouri.

Since its establishment in 1941, Lake City has been operated by only one of two qualified U.S. contractors: either Olin-owned Winchester or Vista and its predecessor companies. The CSG acquisition could result in a sole source contract to Winchester in future years, thus weakening the U.S. Army's negotiating power and creating a single point of failure for primers and small arms ammunition within the defense industrial base – a scenario that U.S. Secretary of Defense Lloyd Austin has warned against in the Department of Defense's State of Competition within the Defense Industrial Base report published in February 2022.⁴

3) U.S. law enforcement agencies across the country would be heavily reliant on foreign providers of primers and ammunition.

The National Sheriff's Association sent a letter to Secretary Mayorkas on April 9, 2024, outlining their concerns that CSG's purchase of Vista Sporting Products would lead to consolidation in the market that would leave them vulnerable to disruption in law enforcement's access to affordable and reliable ammunition primers. Given Vista Sporting

¹ Press Release, Vista Outdoor, Inc., Vista Outdoor Enters into Definitive Agreement to Sell Sporting Products Business to Czechoslovak Group for \$1.91 Billion (Oct. 16, 2023), <http://news.vistaoutdoor.com/newsroom/press-releases/press-release-details/2023/Vista-Outdoor-Enters-into-Definitive-Agreement-to-Sell-Sporting-Products-Business-to-Czechoslovak-Group-for-1.91-Billion/default.aspx>.

² Press Release, Fiocchi Munizioni S.p.A., Czechoslovak Group (CSG) announces the acquisition of a 70% stake in Fiocchi Munizioni (Nov. 24, 2022), <https://fiocchi.com/en/blog/post/czechoslovak-group-announces-acquisition-70-stake-fiocchi-munizioni/>.

³ Bryan Hendricks, *What's Next for the Ammo Market? Impact of Pending Vista Outdoor Sporting Products' Sale to CSG*, DEALER ADVANTAGE (Dec. 2023), <https://shootingindustry.com/dealer-advantage/whats-next-for-the-ammo-market/>.

⁴ U.S. DEPT OF DEFENSE, DEPARTMENT OF DEFENSE REPORT, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE (2022), <https://media.defense.gov/2022/Feb/15/2002939087/-1/-1/1/STATE-OF-COMPETITION-WITHIN-THE-DEFENSE-INDUSTRIAL-BASE.PDF>.

Products supply of primers and ammunition to federal (e.g., FBI, CBP, etc.), state and local law enforcement agencies in several states including New York, California, New Jersey, Texas, Florida, Nevada, Tennessee, Georgia, Utah, Minnesota, Wisconsin and Missouri. I agree that a close review should be conducted by the U.S. Departments of Justice and Homeland Security to fully understand the potential for any disruption of critical supplies to law enforcement officers.

Further complicating this matter, questions have arisen in recent weeks related to CSG's relationships with China. It appears the company has taken actions to obscure its past relationships with China and insist it has no current relationships with our adversaries.⁵ The truth is that CSG's aerospace subsidiary, ELDIS supplies radar equipment to China. In a 2019 article ELDIS is quoted as being proud to start doing business with Chinese state companies.⁶ A 2020 article from CSG was entitled, "ELDIS overcomes barriers and supplies radars to China."⁷ In 2022 another CSG-owned subsidiary, DAKO-CZ provided brake system components to the Huawei research and development campus at Dianshan Lake in the Qingpu District.⁸ With these clear links to a US adversary it is troubling that the company would go to lengths to deny and obfuscate its relationships rather than openly share its business activities as it attempts to enter a critical national security sector.

For these reasons, I request CFIUS to carefully examine national security concerns of the proposed acquisition, specifically concerning the potential impact of the transaction on the U.S. military and law enforcement's reliable access to an affordable supply of primers and ammunition, and the company's attempts to obfuscate its relationship with China.

Thank you for your attention on this important matter.

Sincerely,



John Kennedy
United States Senate

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CC: The Honorable Paul Rosen, Assistant Secretary for Investment Security, U.S. Department of the Treasury

CC: The Honorable Lloyd Austin III, Secretary of Defense, U.S. Department of Defense

CC: The Honorable Alejandro Mayorkas, Secretary of Homeland Security, U.S. Department of Homeland Security

CC: The Honorable Merrick Garland, Attorney General, U.S. Department of Justice

CC: The Honorable Antony Blinken, Secretary of State, U.S. State Department

⁵ Daniel Flatley, Bloomberg, March 28, 2024. <https://www.bloomberg.com/news/articles/2024-03-28/vellen-asked-to-probe-security-issues-in-ammunition-maker-s-sale>

⁶ <https://www.info.cz/czech-news/airport-radars-from-pardubice-have-been-conquering-the-world-s-airspace>

⁷ ELDIS Supplies Radars to China Press Release. <https://aerospace.czechoslovakgroup.com/en/eldis-overcomes-barriers-and-supplies-radars-to-china--1>

⁸ *Annual Financial Report*, Czechoslovak Group (2022), <https://cdn.sanity.io/files/j8c4kujk/production/fa64383fffdcf164503facb4a96de40825085ef1.pdf>.