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Semiconductor Industry Association

November 30, 2016

President-Elect Donald J. Trump
Office of the Presidential Transition
1800 G Street, NW
Washington, D.C. 20006

Dear Mr. President-Elect:

The Semiconductor Industry Association (SIA) looks forward to having the opportunity to work with you and your Administration on policies that will promote economic growth and job creation, maintain U.S. technological leadership, and strengthen our national security.

The U.S. semiconductor industry is a national asset and a key contributor to our country's strength. Semiconductors form the foundation of the digital infrastructure our country depends on for economic growth, productivity, and solutions to societal and governmental challenges. Our industry directly employs approximately 250,000 Americans in research, design, and manufacturing, and supports over 1 million additional U.S. jobs of all skill levels, from complex electrical, chemical and material engineering to well-paying manufacturing jobs at factories across the U.S. Companies based in the U.S. command over 50 percent of the global market for semiconductors, and semiconductors are our country's third-largest manufactured export, following airplanes and automobiles. Semiconductor manufacturing is the most advanced manufacturing process in the world and a key element of the U.S. commercial and defense industrial base. Our industry invests more of our revenues into leading edge technology research and development than any other industry, and semiconductors underpin and enable strategically important applications and technologies that ensure U.S. defense superiority.

Competitors around the world are seeking to displace U.S. leadership in our industry, and collaboration between the industry and government will be instrumental in maintaining America's preeminent position in this crucial industry. The attached agenda sets forth several priorities for action, and we welcome the opportunity to work with your Administration in advancing policies to achieve our shared goals.

Sincerely,

John Neuffer
President & CEO

The U.S. Semiconductor Industry: An Agenda for Action by the Trump Administration

Semiconductors are a foundational and enabling technology for all modern electronics used in sectors of the economy ranging from consumer goods, communications, information technology, transportation, energy, health care, industrial, defense and intelligence systems. They are fundamental to U.S. economic security, technological leadership, and national defense. U.S. leadership in this critical industry is being challenged by competitors around the world, and confronting these challenges will necessitate decisive action by the U.S. government to implement an agenda that establishes a framework for innovation and growth.

U.S. semiconductor technology should be viewed as a strategic national asset, and the Administration should take a holistic approach in adopting policies to strengthen this vital sector. The stakes are immense, and the consequences of inaction or weak action could harm U.S. competitiveness, economic strength, and national security for years to come.

The Semiconductor Industry Association (SIA) urges the Trump Administration to develop a coordinated national strategy for maintaining U.S. semiconductor technology leadership. This strategy should include the following elements:

Invest in America Through Research Funding and “Smart” Infrastructure

Federal investments in basic research have for decades played a key role in America's technology leadership. The semiconductor industry has partnered with civilian and defense research agencies over decades to develop enabling technologies that have led to the development of ubiquitous commercial products and systems that helped drive our nation's growth and productivity, and solved critical national security needs. While the U.S. has long been the leader in semiconductor R&D, our global competitors are investing heavily in this area and are poised to challenge U.S. leadership in the coming years. To address this challenge, the U.S. should increase its investments in basic research in semiconductor-related fields to help fuel future innovations and maintain American competitiveness. In addition, job-creating infrastructure investments should include “smart” technologies enabled by semiconductors that can improve performance and save money over time.

Create a Globally Competitive Tax Structure

Our outdated and uncompetitive U.S. tax code is driving U.S. jobs and investment abroad, and placing domestic semiconductor companies at a huge disadvantage compared to our foreign-based competition. We look forward to working with your Administration and Congress to achieve a pro-growth corporate tax code that includes the following principles: (1) establish a globally competitive rate, (2) move toward a competitive territorial system, including incentives for repatriation of foreign earnings, and (3) provide strong incentives for research, innovation, and manufacturing in the U.S.

Ensure Access and a Level Playing Field in Critical Global Markets

Because 80 percent of sales of U.S. semiconductor companies are to customers outside the U.S., access to global markets and a level playing field are critical to sustain semiconductor technology innovation. As the Trump Administration reviews our country's trade agenda, it should focus on the following:

- *Strongly Enforce International Trade Rules and Norms* – U.S. companies will succeed if allowed to compete on a level playing field. The Trump Administration can facilitate our success by ensuring our trading partners provide fair access to markets in compliance with global trade rules and norms. In particular, the Administration should actively monitor the policies of our trading partners, including China's semiconductor support programs, to ensure consistency with all international and bilateral trade commitments.
- *Expand Access to Global Markets* – The U.S. should lead in working with our trading partners to reduce tariffs and other market access barriers, such as imposition of non-tariff barriers to integrated circuit products which implement commercial/mass market encryption.
- *Promote Innovation by Strengthening IP Protection* – The semiconductor industry's significant investment in R&D results in valuable intellectual property (IP), and it is essential that this IP is protected around the world. Semiconductor companies have been targeted by individuals, criminal organizations, and even government actors to acquire, improperly induce the transfer of, or unlawfully appropriate critical technology and IP such as chip designs, manufacturing know-how, and trade secrets. The Trump Administration should increase efforts to protect and enforce our industry's IP, including working with our trading partners to ensure IP rights are respected and enforced around the globe. Similarly, the Administration should combat the proliferation of counterfeit semiconductors that can pose risks to public health, safety, and security.
- *Reduce Export Burdens on Commercial Semiconductors* – As technology advances, semiconductors used in some commercial products can be subject to overly burdensome and unnecessary export control restrictions, thereby placing U.S. companies at a disadvantage to our foreign competitors. To remedy this situation, the Trump Administration should continue ongoing efforts at export control reform in order to ensure U.S. industry competitiveness in the global technology market.

Strengthen America's Technology Workforce

America's innovation edge is largely due to the talent and skills of our workforce. Policies to strengthen the technology workforce should be a high priority, including increased, long-term funding for STEM education in primary and secondary schools and immigration policy reforms that enable the semiconductor industry to attract and retain the best and brightest from around the world.

Promote Advanced Manufacturing

Semiconductor manufacturing is a highly advanced process that forms a key part of the U.S. industrial base. The Administration should promote tax, trade, and regulatory policies that enhance the global competitiveness of U.S.-based manufacturing.