

## U.S. Semiconductor Industry Supports the Trans-Pacific Partnership Agreement

International trade is vital to the U.S. semiconductor industry and the American economy as a whole. Access to global markets has enabled U.S.-based companies to secure more than half of the \$336 billion global semiconductor market share in 2014. The largest U.S. FTA to date by trade value, The TPP will enhance access to the large and growing markets of the Asia-Pacific, strengthen the global semiconductor supply chain, and will align global trade rules with how trade is done in today's digital economy.

### The TPP and the Semiconductor Industry: Trade = Jobs & Growth

82% of U.S. semiconductor products are sold to customers overseas, making semiconductors the nation's 3rd largest manufactured good export. Overseas revenues support 250,000 U.S. jobs in the semiconductor sector and an additional 1 million jobs in downstream sectors.

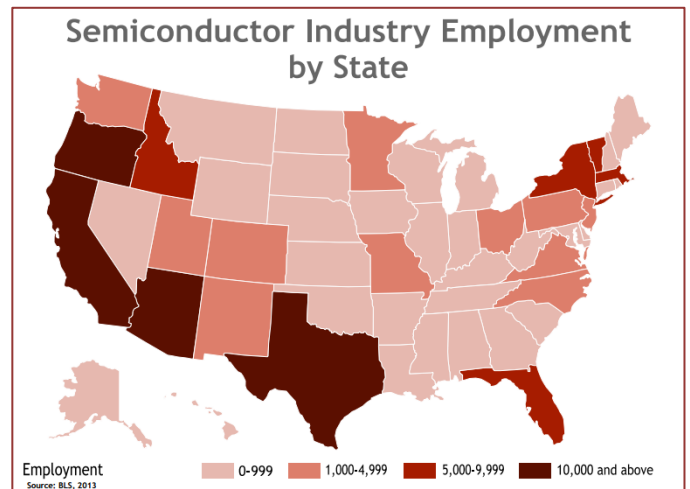
U.S. exports of semiconductors to TPP countries totaled \$17 billion in 2014 and accounted for 41% of total U.S. semiconductor exports to the world. U.S. semiconductor exports to the broader Asia-Pacific totaled \$36.5 billion in 2014, representing 85% of total

U.S. semiconductor goods exports to the world. The huge and fast-growing Asia-Pacific market represents a significant opportunity for US semiconductor growth.

### More than just a Free Trade Agreement

The TPP sets the rules for cross-cutting issues not previously included in trade agreements that will set important precedents for other trading partners, particularly China. Key priorities for the U.S. semiconductor industry include:

1. Ensure global market access for the most innovative and effective encryption products
2. Strengthen safeguards and increase penalties to protect trade secrets and other forms of IP.
3. Ensure state-owned enterprises (SOEs) compete fairly and transparently based on market considerations and without undue government advantage
4. Prevent forced localization of digital infrastructure and local content requirements
5. Thwart forced technology transfer
6. Eliminate duties on semiconductor-rich products and applications (i.e. autos/auto parts)
7. Simplify and harmonize customs and trade procedures



**Semiconductor jobs across the U.S. are directly supported by global trade**



**Example of global semiconductor supply chain from silicon to end-product purchase**

The TPP will shape the future of the global trading system and will send an important message to our competitors that fairness and collaboration – not discrimination and protectionism- will be the hallmarks of 21st century trade.

## SIA Top 3 Priorities in the TPP

The top three SIA priorities in the TPP are as follows:

### Encryption

Encryption, enabled by semiconductors, is now used in nearly all commonly used and globally traded ICT products to protect information and secure data transfer. The adoption of restrictive policies, such as import bans, technology mandates or requirements to transfer or provide access to proprietary information, could threaten the large trade flows of semiconductors and other ICT products on the scale of hundreds of billions of dollars. The new TPP rules on encryption will:

- Ensure that government policies on commercial encryption do not unfairly impede global trade of semiconductors and other ICT products
- Enable domestic access to the best ICT products and leading-edge technologies available in the global marketplace for security and privacy
- Prevent fracturing of the global digital infrastructure by ensuring technology interoperability across markets

### Trade Secrets

Trade Secrets are a critical and major asset of U.S. semiconductor companies, comprising up to 80% of the value of a company's IP portfolio. Despite their tremendous importance, trade secrets remain extremely vulnerable. The new TPP rules will enhance trade secret protection by:

- Banning forced disclosure of software source code or other sensitive IP in certification/regulatory schemes
- Requiring criminal penalties for trade secret theft, including via means of cyber theft

### Rules for State-Owned Enterprises (SOEs)

The U.S. semiconductor industry has a long history of battling the effects of market and trade distortions caused by foreign government subsidies, intervention, discriminatory investment requirements, and other non-competitive behavior that advantages SOEs and national champions. New TPP rules will ensure that SOEs make decisions on the basis of commercial considerations and do not discriminate against foreign companies. The TPP rules level the playing field for private companies by:

- Banning specified "performance requirements," including local content requirements, export requirements, and technology transfer or technology localization requirements.
- Requiring regulatory bodies to regulate in an impartial manner and not use their regulatory authority to provide preferential treatment to their SOEs.

