The Semiconductor Seven: SIA's Top Priorities for Trade Agreements

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. With 82 percent of the U.S. semiconductor industry's customers residing outside the United States, trade agreements like the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), Environmental Goods Agreement (EGA), Trade in Services Agreement (TiSA), and expansion of the Information Technology Agreement (ITA) are critical to our industry as they are central to opening markets around the world.

Semiconductors are the foundation of the digital economy, and as such, SIA strongly supports disciplines that strengthen digital trade and combat the rising trend of digital nationalism that threatens the digital economy. Below are the "Semiconductor Seven" – SIA's top priorities for trade agreements.

The Semiconductor Seven

1. Ensure access to global markets for **innovative and effective encryption products**

Prevent countries from taking actions that block or place discriminatory restrictions on commercial foreign products with encryption, or that block companies from using the strongest available security technologies in the marketplace. With semiconductor-enabled encryption now used in nearly all commonly used and globally traded ICT products, the adoption of restrictive policies (i.e. 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.

2. Strengthen safeguards and increase penalties to **protect trade secrets** and other forms of IP

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. Requirements for criminal penalties for trade secret theft, including via means of cyber theft, and strengthened procedures to protect trade secrets during conformity assessment procedures, such as banning forced disclosure of software source code or other sensitive IP in certification/regulatory schemes, are a priority for the U.S. semiconductor industry.

3. Ensure that **state-owned enterprises (SOEs) compete fairly and transparently** based on market considerations and without undue government advantage

SOE activity guided or aided by government influence, rather than by commercial considerations, can cause harmful market and investment distortions. SOE disciplines should be strengthened to ensure SOEs and regulatory authorities act in a non-discriminatory and

market-driven manner in terms of commercial purchases and sales, investment decisions, investment requirements, and application of regulatory authority.

4. Prevent **forced localization** of digital infrastructure and **local content requirements**

Preventing trading partners from requiring companies to build technology infrastructure in their market or requiring companies to purchase or use local technology will help ensure data efficiency, cost efficiency, global interoperability and technology choice.

5. Thwart **forced technology transfer**

Rules prohibiting partners from requiring companies to transfer their technology, production processes, or other proprietary information such as source code (often as a condition of market access) will help prevent unhelpful distortions generated by such non-market driven behavior and the unauthorized disclosure or theft of IP.

6. **Eliminate duties** on semiconductor-rich products and applications (i.e. autos/auto parts)

Lower consumer prices and lower costs of trade for semiconductor-enabled products such autos, auto parts, consumer electronics, motors and industrial machinery, health-care devices will promote innovation and growth.

7. Simplify and harmonize **customs and trade procedures**

The semiconductor value chain and supporting activities comprising the semiconductor ecosystem (i.e. raw materials, manufacturing equipment, research, design, fabrication, assembly, packaging and testing, distribution) is spread across the globe involving more than 100 countries. Simplifying and making more consistent customs procedures around the world will speed up time to market, lower costs, and lighten the regulatory burden of semiconductor companies with complex and global supply chains.

The “Semiconductor Seven” are embedded throughout the TPP and the ITA and we anticipate relevant pieces of the seven will make their way into the EGA, TTIP and TiSA. Advancing these important trade priorities will help strengthen our industry and the American economy.