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Office of the U.S. Trade Representative
1724 F St NW,
Washington, D.C. 20006

Re: Notice of Request for Public Comments on USTR’s 2025 China WTO Compliance Report (90 Fed. Reg. 40136)

Written Comments of the Semiconductor Industry Association

The Semiconductor Industry Association (“SIA”) is pleased to submit these written comments in response to a request by the Office of the U.S. Trade Representative (USTR) for public comments on its upcoming report to Congress on China’s compliance with its obligations as a Member of the World Trade Organization (WTO).

Consistent with our 2024 submission to USTR, we remain concerned by China’s ongoing noncompliance with important WTO rules and disciplines, its slowness with implementing market-based reforms, and continued promulgation of laws and measures that undermine fair competition in China and, increasingly, in global markets. In semiconductors, as in other advanced technologies, China has pursued a wide range of both supply-side and demand-side policies and practices that limit access for foreign products and companies to its market in favor of heavily subsidized domestic players. At all levels—central, provincial, and local—China’s government offers an array of supports to build its domestic semiconductor manufacturing capacity. In turn, each level of government imposes domestic chip requirements, discriminatory standards, preferential government procurement policies, and other WTO-inconsistent measures designed to boost demand for domestic producers and ultimately realize China’s long-term ambitions to dominate the global semiconductor ecosystem. At the same time, China has taken measures to limit the global supply of upstream critical materials (e.g., gallium, germanium, graphite, tungsten, rare earths), upon which the semiconductor industry and other industrial sectors rely.

We urge U.S. negotiators to prioritize addressing the concerns outlined in this submission in their ongoing trade talks with China. We likewise encourage the U.S. government to collaborate with allies and likeminded partners to advance coordinated efforts and measures to combat market access barriers and non-market practices that unfairly tilt the playing field against the U.S. semiconductor industry.

1. Introduction and Background

SIA has been the voice of the U.S. semiconductor industry for nearly half a century. Our member companies, representing more than 99 percent of the U.S. semiconductor industry by revenue as well as major non-U.S. chip firms, are engaged in the full range of research, design, manufacture, and back-end assembly, test, and packaging of semiconductors. Semiconductors are historically a top U.S. export sector, running a healthy trade surplus for nearly three decades. SIA's members design and produce all major advanced and mature-node semiconductor types, including logic, memory, analog, microprocessors, and optoelectronics. The semiconductor was invented in America more than 65 years ago. The U.S. semiconductor industry remains the global leader in semiconductor technology and innovation, driving America's economic strength, national security, and global competitiveness in a range of downstream industries. More information about SIA and the semiconductor industry is available at www.semiconductors.org.

Semiconductors are critical to the functioning of everyday consumer electronics, communications, and computing devices in the automotive, industrial, financial, medical, retail, defense, and many other sectors of the economy. They are also critical components for future technologies, such as artificial intelligence (AI), quantum computing, and 5G/6G telecommunications. Few industries, if any, have a supply chain and development ecosystem as complex, geographically widespread, and interdependent as the semiconductor industry.

Maintaining a strong U.S. semiconductor research, design, manufacturing, and supplier base is both an economic security and a national security imperative. As stated in both the House and Senate versions of the 2021 National Defense Authorization Act: "The leadership of the United States in semiconductor technology and innovation is critical to the economic growth and national security of the United States."¹ It is critical that while our companies continue to strengthen the U.S. domestic base of semiconductor production that they can compete across the globe on a level playing field.

2. Chinese Industrial Policies

In the quarter century since China acceded to the WTO, it has become a major player in the global semiconductor industry, both as a significant market and as a serious and growing competitor. While Chinese government and industrial planners have long sought to develop an indigenous semiconductor industry to underpin China's industrial development, these efforts accelerated to a new level in 2014 when the Chinese Government issued a set of *Guidelines to Promote National Integrated Circuit Industry* ("IC Promotion Guidelines").² The IC Promotion Guidelines called for the development of an entire semiconductor industry ecosystem within China and set out a strategy aimed at developing "national champions" with the goal of becoming the global leader in all major segments of the industry by 2030. As part of the plan, the IC Promotion Guidelines called for a \$150 billion National Integrated Circuit Fund ("National IC Fund") supported by the central and provincial governments. The IC Promotion Guidelines also called for procurement decisions by public and state-owned enterprises (SOEs) in key semiconductor-consuming downstream sectors.

¹ H.R. 6395 § 1824(b) and S. 4049 § 1098(b).

² State Council of China, "Guidelines to Promote the National Integrated Circuit Industry," June 24, 2014. <http://www.lawinfochina.com/display.aspx?id=26681&lib=law>.

For instance, telecommunications and internet service providers would select “based on projects aimed at expanding domestic demand” as well as “secure and reliable” software and hardware products.

In 2015, China issued *Made in China 2025*, which established a goal to achieve 70% self-sufficiency in semiconductors by 2025. While official, public references to *Made in China 2025* disappeared after USTR launched a Section 301 investigation in 2017, *Made in China 2025* and the *Guidelines* continue to undergird Chinese semiconductor policies and barriers, and have only intensified in recent years. The plan and measures advanced in the years since are intended to boost local producers (supply-side) and force the design-in of domestically produced semiconductor chips into downstream products for sale in China’s domestic market as well as for products exported to the rest of the world (demand-side).

The National IC Fund and *Made in China 2025* have been buttressed with an array of government subsidies, including equity infusions from government ministries and SOEs, below-market loans from state-owned banks, government grants, forced technology transfers, reduced utility rates, tax breaks, import substitution programs, and free or discounted land. China’s government guidance funds have also specifically supported China’s semiconductor industry, sustaining firms even when they do not demonstrate profitability or viability.

Given China’s lack of market disciplines, its National IC Fund and assortment of other local government subsidies and non-market economy practices have led to significant market distortions of global semiconductor markets and risk excess capacity, particularly in so-called “legacy” chips. As SIA has previously outlined, China has deployed a policy playbook targeted at “mature-node” or “legacy” semiconductors³ similar to its approaches with other sectors (e.g., steel, solar, electric vehicles, batteries, and display panels) that have led to geographic overconcentration of production and related supply chain dependencies, excess capacity, price undercutting, and dumping.⁴

As detailed below, China’s noncompliance with key WTO obligations and commitments raises serious challenges not only for fair access to China’s market, but for the entire global trading system that must absorb Chinese state-supported price cuts. As the world’s largest manufacturing hub, producing around one-third of the world’s electronics, nearly 70% of global electric vehicles, and the majority of critical materials used in industrial production, China occupies an outsized role in global supply chains to shape downstream applications for semiconductors.⁵

China’s excess capacities in other heavily subsidized industries, such as electric vehicles, have helped to feed a cycle of “involution” across the supply chain. Experts have defined involution as “continued massive expansion of production in sector after sector despite any semblance of

³ For purposes of this submission, “mature-node or legacy chips refer to chips fabricated using process technologies for chips with feature sizes 28nm or larger.

⁴ Semiconductor Industry Association, “SIA Comments on USTR Section 301 Investigation on Chinese Legacy Chips,” February 5, 2025. <https://www.semiconductors.org/wp-content/uploads/2025/02/USTR-2024-0024-00109674-CAT-5016-Public-Document.pdf>

⁵ International Energy Agency, “Trends in the Electric Car Industry,” *Global EV Outlook 2025*, 2025. <https://www.iea.org/reports/global-ev-outlook-2025/trends-in-the-electric-car-industry-3>.

sufficient domestic demand to absorb these goods.”⁶ Involution leads to “a zero-sum race to the bottom, marked by vicious price wars, large-scale losses, homogenous products, and improper business practices.”⁷ Beijing has recognized these ills, criticizing involution in economic speeches and guidance through 2024 and 2025. As part of its “anti-involution campaign,” China’s legislature released a draft amendment to its pricing law in July 2025 to curb price wars and is pursuing capacity cuts in some upstream sectors, such as steel.⁸ However, little to none of the anti-involution campaign is targeted at China’s semiconductor industry. In fact, the People’s Bank of China has indicated that policymakers will effectively seek to direct “more resources to key areas such as science and technology innovation,” which may exacerbate overconcentration.⁹

3. WTO Concerns

The comments below build on SIA’s submission in response to USTR’s 2024 request for public comments regarding China’s WTO compliance¹⁰ and its submission to USTR on its Section 301 investigation into the Chinese mature-node chip industry.¹¹

A. Domestic Content Mandates

China has significantly expanded its use of implicit and explicit measures to replace foreign chips and require domestic chip content, with additional guidance and measures imposed within the past year. The Chinese government has started to require various sectors to meet domestic chip content quotas, thereby artificially boosting Chinese chip demand. These mandates are occurring at the central, provincial, and municipal level alongside pressures in key industries, headed by efforts at the National Development and Reform Commission (NDRC), the Ministry of Industry and information Technology (MIIT), and the Cyberspace Administration of China (CAC).

⁶ Scott Kennedy, “Involution and Industry Self-Discipline: Echoes from the Past,” *Center for Strategic and International Studies*, September 17, 2025. <https://www.csis.org/blogs/trustee-china-hand/involution-and-industry-self-discipline-echoes-past>.

⁷ Michael Pettis, “What’s New about Involution?” *Carnegie Endowment for International Peace*, August 26, 2025. <https://carnegieendowment.org/posts/2025/08/whats-new-about-involution?lang=en>.

⁸ Katharine Gemmell, “China’s Steel Work Plan Vows to Ban New Capacity, Promote Demand,” *Bloomberg*, September 21, 2025. <https://www.bloomberg.com/news/articles/2025-09-22/china-s-steel-work-plan-vows-to-ban-new-capacity-promote-demand>; Reuters, “China Releases Draft Law Amendment to Help Curb Price Wars,” July 24, 2025. <https://www.reuters.com/sustainability/boards-policy-regulation/china-releases-draft-law-amendment-help-curb-price-wars-2025-07-24/>.

⁹ Michael Pettis, “What’s New about Involution?” *Carnegie Endowment for International Peace*, August 26, 2025. <https://carnegieendowment.org/posts/2025/08/whats-new-about-involution?lang=en>.

¹⁰ Semiconductor Industry Association, “Written Comments of the Semiconductor Industry Association On USTR’S Request for Public Comments on 2024 China WTO Compliance Report,” September 10, 2024. <https://www.semiconductors.org/wp-content/uploads/2024/09/SIA-Comments-to-USTR-Regarding-the-2024-ChinaWTO-Compliance-Report.pdf>

¹¹ Semiconductor Industry Association, “SIA Comments on USTR Section 301 Investigation on Chinese Legacy Chips,” February 5, 2025. <https://www.semiconductors.org/wp-content/uploads/2025/02/USTR-2024-0024-00109674-CAT-5016-Public-Documents.pdf>.

The Chinese government's directives¹² to automotive companies operating in China, along with MIIT-directed initiatives¹³ to develop domestic standards for automotive chips, have yielded results. The Chinese auto industry and others have made commitments to localize chip content in products.¹⁴ These efforts are expanding to additional industries.

In 2024, Chinese regulators issued guidance directing Chinese tech companies to refrain from purchasing foreign chips and mandated domestic data centers to adopt at least 50% “domestic” Chinese chips.¹⁵ The guidance issued by China's central government follows earlier moves at the local government level. Local governments in China are aiming for 70% self-sufficiency in AI chips by 2027.¹⁶ The Shanghai municipality was the first to mandate 50% use of domestic chips in data centers by 2025, and plans to increase this quota to 70% by 2027.¹⁷ Other large provincial and municipal governments have set similar targets for use of domestic chips in data center buildouts, as illustrated in Table 1 below. While the definition of Chinese “domestic chips” remains unclear, some reports suggest the definition refers to chips designed or manufactured by Chinese companies.

¹² Cheng Ting-Fang, Lauly Li, and Shunsuke Tabeta, “China Asks Carmakers to Use Up to 25% Local Chips by 2025,” *Nikkei Asia*, May 16, 2024. <https://asia.nikkei.com/business/automobiles/china-asks-carmakers-to-use-up-to-25-local-chips-by-2025>.

¹³ State Council of China, “China Issues Guidance on Building Automotive Chips Standards,” January 9, 2024. https://english.www.gov.cn/news/202401/09/content_WS659ced27c6d0868f4e8e2e3b.html

¹⁴ Cissy Zhou, Cheng Ting-Fang, and Lauly Li, “China's automakers aim for cars with 100% domestic chips from 2026,” *Nikkei Asia*, June 17, 2025. <https://asia.nikkei.com/business/technology/china-s-automakers-aim-for-cars-with-100-domestic-chips-from-2026>

¹⁵ Ben Jiang, “China Mandates More Domestic AI Chips for Data Center to Cut Reliance on NVIDIA,” *South China Morning Post*, August 17, 2025. <https://www.scmp.com/tech/tech-war/article/3322119/china-mandates-more-domestic-ai-chips-data-centres-cut-reliance-nvidia>.

¹⁶ Shunsuke Tabeta, “Chinese Cities Target 70% AI Chip Self-Sufficiency to Counter NVIDIA,” *Nikkei Asia*, August 21, 2025. <https://asia.nikkei.com/business/technology/artificial-intelligence/chinese-cities-target-70-ai-chip-self-sufficiency-to-counter-nvidia>.

¹⁷ Ben Jiang, “China Mandates More Domestic AI Chips for Data Center to Cut Reliance on NVIDIA,” *South China Morning Post*, August 17, 2025. <https://www.scmp.com/tech/tech-war/article/3322119/china-mandates-more-domestic-ai-chips-data-centres-cut-reliance-nvidia>.

Table 1: Provincial and Municipal Support for AI Chip Self-sufficiency

Province/City	Release Date	Self-sufficiency target	Support Measures
Beijing	April 2024	100% by 2027	Subsidy for domestic GPU purchases ¹⁸
Shanghai	March 2025	70% by 2027	Subsidy for data center construction ¹⁹
Tianjin	July 2024	60% by 2026	Generic support package ²⁰
Guangdong	March 2024	70% by 2025	Government procurement ²¹
Shenzhen	December 2023	No explicit target	Generic support package ²²
Guangzhou	March 2025	No explicit target	Subsidy for data center construction ²³
Zhejiang	June 2025	No explicit target	Generic support package ²⁴
Chengdu	May 2025	No explicit target	Subsidy for domestic GPU rentals ²⁵
Guizhou	December 2023	No explicit target	Subsidy for domestic GPU rentals ²⁶
Ningxia	August 2023	No explicit target	Subsidy for domestic GPU purchases ²⁷
Inner Mongolia	March 2025	No explicit target	Generic support package ²⁸

¹⁸ Beijing Municipal Economic and Informationization Bureau, “Beijing Municipal Computing Infrastructure Construction Implementation Plan (2024-2027),” Document 25, April 24, 2024.

https://www.beijing.gov.cn/zhengce/zhengcefaui/202404/t20240426_3639351.html.

¹⁹ Shanghai Economic and Informationization Commission, “Shanghai Implementation Opinions on Promoting the Innovation and Development of the Intelligent Cloud Industry (2025-2027),” Document 160, March 25, 2025.

<https://www.shenitc.sh.gov.cn/cyfz/20250326/b4cc54c1e15b49f7bb18daff671b28d7.html>.

²⁰ Tianjin Municipal Government, “Tianjin Computing Power Industry Development Implementation Plan (2024-2026),” July 22, 2024. https://gyxxh.tj.gov.cn/ZWGK4147/ZCWJ6355/sjwj/202407/t20240722_6681036.html.

²¹ Guangdong Provincial Communications Administration, “Guangdong Province Computing Infrastructure High-Quality Development Action Plan and the Guangdong Computing Action Plan (2024-2025),” Document 3, March 22, 2024. <https://www.cagd.gov.cn/v/2024/03/4773.html>.

²² Shenzhen Municipal Industry and Informationization Bureau, “Shenzhen Action Plan for High-Quality Development of Computing Infrastructure (2024-2025),” Document 300, December 12, 2023.

https://gxj.sz.gov.cn/gkmlpt/content/11/11028/post_11028247.html#3129.

²³ Guangzhou Municipal Industry and Informationization Bureau, “Several Measures to Promote the High-Quality Development of Computing Infrastructure in Guangzhou (Draft for Comments),”

<https://gxj.gz.gov.cn/hdjlpt/yjzj/answer/42797>.

²⁴ Zhejiang Provincial Economic and Informationization Bureau, “Zhejiang Publishes Policy to Promote Intelligent Cloud Innovation and Development,” June 24, 2025.

https://www.qz.gov.cn/art/2025/6/24/art_1229566643_5535021.html.

²⁵ Chengdu Municipal Government, “Implementation Rules for Several Policies in Chengdu to Create a Highland for the Development of the Artificial Intelligence Industry (Draft for Comment),” May 26, 2025.

<https://www.parkworld.net/post/8dd9c3c6716402a>.

Chinese authorities have long kept the definition of “domestic” products vague. For years, it was unclear whether goods designed abroad but fabricated, assembled, or tested in China could count as domestic. However, that ambiguity is beginning to narrow to the explicit disadvantage of foreign produced chips and companies in China’s market.²⁹ To qualify as “domestic,” a product’s key components must also be made in China, and the share of domestically sourced inputs must exceed a threshold that the Ministry of Finance (MOF) has pledged to clarify within three to five years. The draft plan included a 20% preferential price for domestic products³⁰ While still not fully defined, the threshold to sell a domestic product is increasingly high and designed to crowd out foreign firms, even those that may have a significant presence in China.

B. Discriminatory Automotive Chip Standards

China’s standards frequently and unnecessarily deviate from international standards in a manner seemingly noncompliant with Article 2.4 of the WTO *Agreement on Technical Barriers to Trade* (TBT). These inconsistencies subsequently cut out opportunities for foreign products designed around international standards, which conflicts with China’s obligations under TBT Article 2.1 and Article 2.2. We are concerned that these practices, long a challenge for foreign companies in the electronics industry, will recur in the automotive industry. In December 2023, MIIT released the *Guidelines for Constructing the National Automotive Chip Standard System* (“Automotive Chip Guidelines”), calling on Chinese industry to create technical standards for more than 30 important automotive semiconductors by 2025 and more than 70 types by 2030.³¹

Since the introduction of the Automotive Chip Guidelines, standards bodies like the China Automotive Chip Industry Innovation Strategic Alliance (an organization supported by both MIIT and China’s Ministry of Science and Technology) have released whitelists to help accelerate the adoption of domestic chips for Chinese automakers.³² As noted above, domestic automakers have accelerated their commitments to domestic chip content and aim for 100% localization by 2027.

²⁶ Guizhou Academy of Social Sciences, “Provincial big data bureau and eight other departments issue notice on several incentive policies to promote the construction of Guizhou node of the national integrated computing network,” November 8, 2023.

https://sky.guizhou.gov.cn/zwgk/zfxxgk/fdzdgknr/zcwj/202411/t20241107_86035947.html.

²⁷ Ningxia Autonomous Region Government, “Notice on Policies and Measures to Promote Innovation and Development of Artificial Intelligence,” Document 8, August 18, 2023.

https://www.nx.gov.cn/zwgk/gfxwj/202308/t20230818_4227239.html.

²⁸ Inner Mongolia Autonomous Region Government Services and Data Management Bureau, “Implementation Plan for Promoting the High-Quality Development of the Artificial Intelligence Industry in the Inner Mongolia Autonomous Region (2025-2027),” July 22, 2025. <https://ddp.imust.edu.cn/info/1063/2689.htm>.

²⁹ Xinhua, “The Ministry of Finance solicits opinions on domestic product standards and implementation policies in the field of government procurement,” December 6, 2024.

<https://www.news.cn/government/20241206/ab7235d7f748494393bbe9c0dff94854/c.html>.

³⁰ Bloomberg, “China Gives Local Companies a Boost Before Trump Returns,” December 6, 2024.

<https://www.bloomberg.com/news/articles/2024-12-06/china-to-give-its-firms-a-procurement-boost-before-trump-return>.

³¹ Ministry of Industry and Information Technology, “Guidelines for Constructing National Automotive Chip Standard System,” December 2023. https://www.gov.cn/zhengce/zhengceku/202401/content_6924893.htm.

³² Ma Jingjing, “Chinese Industry Association Releases Second Alliance Whitelist on use of Domestic Chips,” *Global Times*, December 4, 2024. <https://www.globaltimes.cn/page/202412/1324331.shtml>

Semiconductors play an important role in the automotive industry, particularly as they become electrified and autonomous. A 2023 report projected the average semiconductor content per vehicle will increase 80% over the next seven years from \$854 in 2022 to \$1,542 in 2029.³³ Electric vehicles are loaded with about 1,300 semiconductors while highly autonomous cars, which rely on advanced sensors and processing, may have more than 3,000 semiconductors.³⁴ Some auto manufacturers have cited as many as 8,000 chips in a vehicle.³⁵ According to the *Global Times*: “China aims to build a homegrown semiconductor supply chain that is safe from the threat of U.S. sanctions. Semiconductors are a weak link in China’s drive to become an automotive superpower by using its head start in the shift from gasoline-fueled cars to electric vehicles.”

We are concerned China’s standard setting process often lacks transparency and excludes foreign stakeholders, and that this could lead to discriminatory and exclusionary standards resulting in the *de facto* exclusion of foreign semiconductors from China’s large and growing automotive market. The exclusion of foreign semiconductor companies from China’s TC260 Working Group on Semiconductor Cryptography has been the subject of protracted discussions in the World Semiconductor Council (WSC) and Government Authorities Meeting on Semiconductors (GAMS). Despite recent progress, these concerns have yet to be fully resolved. U.S. and other foreign companies have reported they are often not permitted to participate in these domestic standards-setting processes. Even in technical committees where participation has been possible for some foreign stakeholders, it has typically been on terms less favorable than those applicable to their domestic competitors. While some foreign companies have noted improvements in the openness of China’s standard setting system, it is unclear if all standard developments will be open and equally accessible to foreign companies.

In sum, we are concerned China’s processes for the preparation, adoption and application of standards are often noncompliant with Article 2.9 of the TBT Agreement because of their lack of transparency, failures to provide adequate notice, and lack of meaningful opportunities for comments by other WTO Members and interested parties in accordance with the TBT Article 2 and the TBT Agreement’s *Code of Good Practices*. It is also often unclear whether the comments submitted are seriously considered.

C. Discriminatory Import Substitution

Chinese import substitution programs to support local alternatives have been around for decades alongside directives, guidelines, subsidies, and official policy pronouncements to promote usage of local semiconductors. China has long featured “indigenous innovation” policies officially adopted as of 2006; *Made in China 2025* and “dual circulation” policies are just the latest manifestations. On May 14, 2020, the CCP Politburo Standing Committee added a “new development program of mutual benefit through domestic-international dual circulation.” On May 23, 2020, President Xi said the country’s dual circulation “takes the domestic market as the

³³ S&P, “Automotive Semiconductors Market Tracker – January 2023,” *AutoTechInsights*, March 2, 2023. <https://autotechinsight.spglobal.com/shop/product/5003356/automotive-semiconductor-market-tracker-january-2023>.

³⁴ RhoMotion, “Semiconductors in EVs, what you need to know,” April 30, 2024. <https://rhomotion.com/news/semiconductors-in-evs-what-you-need-to-know/>.

³⁵ Audi MediaCenter, “Semiconductors are Becoming the Neurons of Our Cars,” June 14, 2024. <https://www.audi-mediacyenter.com/en/press-releases/semiconductors-are-becoming-the-neurons-of-our-cars-16053>.

mainstay while letting internal and external markets boost each other,” although he later clarified this was “not any kind of closed-off domestic circulation, but rather an increasingly open domestic-international dual circulation.” Dual circulation is designed to innovate more domestically developed technology and thereby reduce China’s reliance on foreign technology.

We are concerned that these import substitution plans are only increasing, despite China’s repeated assurances of compliance with its WTO commitments. Chinese scholars predict an acceleration of domestic substitution under the 15th FYP, which will cover the period from 2026 to 2030 and likely to be released in March 2026.³⁶

D. Discriminatory Procurement Guidance

On August 6, 2024, the China’s State-owned Assets Supervision and Administration Commission (SASAC) and the NDRC jointly issued the *Guiding Opinions on Standardizing the Procurement Management of Central Enterprises* (“Procurement Guiding Opinions”) to further clarify the procurement methods and control points and effectively standardize the procurement of SOEs. The Procurement Guiding Opinions state that in key areas of scientific and technological innovation such as semiconductors, satellite navigation, high-end machine tools, industrial robots, and advanced medical equipment, the power of SOEs should be fully utilized with respect to procurement of innovative products to promote the research and development capabilities of domestic enterprises and China’s international competitiveness and self-sufficiency.

By increasing the purchase of domestic innovative products, the Procurement Guiding Opinions aim to “promote the research and development capabilities of domestic enterprises and accelerate the realization of independent control in key areas; strengthen the coordination of the industrial chain, which is conducive to building an industrial chain ecology with upstream and downstream coordination and enhancing the competitiveness of the entire industrial chain; clarify the market orientation, provide clear market demand signals for relevant enterprises, help guide enterprises to increase R&D investment and launch more innovative products that meet market demand; enhance international competitiveness, and help gain competitive advantages in the global market by improving the technical level and product quality of domestic enterprises.”

Liu Shaowei, head of the Financial Supervision and Operation Evaluation Bureau of SASAC said at a press conference: “We will.... increase the policy support of investors, guide central enterprises to keep a close eye on the direction of the new round of technological revolution and industrial transformation, and play a leading role in this round of large-scale equipment renewal. In the next five years, central enterprises are expected to arrange a total investment of more than 3 trillion yuan in large-scale equipment renewal and transformation.”

Reports suggest the Procurement Guiding Opinions are aimed at promoting selection of local semiconductor and other advanced technologies in order to “positively impact scientific and technological innovation and promote self-sufficiency” in accordance with the broader industrial

³⁶ Li Xianjun, “Industrial Innovation and Development of Chinese Integrated Circuits in the ‘15th FYP’ Period: External Situation, Development Trends, and Policy Options,” *Reform*, Issue 3:2025, April 25, 2025. http://gjs.cssn.cn/kydt/kydt_kycg/202504/t20250425_5870875.shtml.

policy goals encompassed in *Made in China 2025*, the dual circulation economy, indigenous innovation, the 13th and 14th Five-Year Plans (FYP),³⁷ and the Third Plenum.

In brief, SASAC’s Procurement Guiding Opinions are not in compliance with GATT Articles III:4 and III:5. While GATT Article 8(a) excludes government procurement from Article III obligations, this exception is limited to procurement by governmental agencies for governmental purposes and does not cover Chinese SOEs engaged in commercial activity.

According to the *Wall Street Journal*,³⁸ in September 2022, SASAC issued Document 79, a government directive expanding an import substitution program known as “Delete A” or “Delete America.” Document 79 required SOEs in finance, energy, and other critical infrastructure sectors to substitute Chinese software for U.S. software in their IT systems by 2027. The directive has also targeted U.S. computer equipment and there are clear signs that the Chinese government is pressuring SOEs and other Chinese customers to buy local chips, both to support Chinese self-sufficiency as part of the “dual circulation” economy” and to advance China’s “secure and controllable” doctrine.³⁹ Semiconductors are identified as one of the strategic industries and national priorities to achieve lower dependence and higher resilience from foreign suppliers.

Under the directive, SOEs must report on their progress in replacing foreign software, computer equipment, and semiconductors with local alternatives. The result has been putting even more pressure on Chinese SOEs and private entities to buy domestic products even when they are inferior in terms of performance and capabilities. Discriminatory import substitution, dual circulation, “Delete A,” and “secure and controllable” policies contradict GATT Article III and other WTO agreements.

E. Subsidies

China has a labyrinthian complex of state support and subsidies for its companies across central, provincial, and local levels. The first tranche of the \$150 billion National IC Fund was launched in 2014 with 138 billion yuan (\$21 billion) in capital funding. A second tranche was established in 2019 with an additional 204.2 billion yuan (\$39 billion). These were bolstered by local IC Funds run by provincial and municipal governments. Much of this support has taken the form of below-market equity infusions.

³⁷ The 14th Five-Year Plan (2021–2025) for National Economic and Social Development of the People’s Republic of China (PRC) was approved March 2021. It emphasizes innovation as the core of modern development, relying on the dual circulation strategy as the growth paradigm coupled with reforms to increase living standards. The Plan introduces a dual circulation paradigm that targets the expansion of domestic demand through strengthened supply chains supported by industrial policies, indigenous innovation, and increased domestic consumption. According to the Asian Development Bank, the goal is to advance innovation in multiple areas to become less dependent on foreign technology.

³⁸ Liza Lin, China Intensifies Push to ‘Delete America’ From Its Technology (March 7, 2024) at <https://www.wsj.com/world/china/china-technology-software-delete-america-2b8ea89f>

³⁹ The Chinese Government has used “secure and controllable” and “indigenous and controllable” as code words to favor local Chinese companies based on the idea is that local products and services are more secure. The terms appear throughout national level plans that call for “building a secure and controllable ICT industry ecosystem, including *Made in China 2025*. (CPUs, operating systems, software office suites), suppliers need to submit verification materials including product IP, source code, and design and development documents.

In May 2024, China announced the third and largest tranche of the *National IC Fund* with a registered capital of 344 billion yuan or roughly \$47.5 billion. The MOF is the largest shareholder with 17%, along with major Chinese banks, including the Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of Communications, and large SOEs, including China Tobacco, China Mobile, and China Electronics Technology Group Corporation. As mentioned, much of the support from the National IC Fund has taken the form of equity infusions. According to the OECD, China is almost unique among major semiconductor-producing economies in providing major government support to semiconductor enterprises through equity infusions.⁴⁰ These policies have been impactful; one report estimated that China's IC localization ratio more than doubled from 2013 to 2020.⁴¹

The Fund has benefited an array of leading Chinese semiconductor companies. A 2019 study by the OECD found that China's four leading state-backed semiconductor companies received a total of \$4.85 billion in below-market loans from China's state-owned banks between 2014 and 2018, which represented 98% of below-market borrowing by leading global semiconductor companies. In addition, the OECD found that 43% of the registered capital of the Chinese industry, totally \$51 billion, is directly or indirectly owned by China's Government, giving it significant influence over the direction of the industry.

China's subsidy policies raise a host of WTO concerns, seemingly contravening SCM Article 3 on import substitution and Article 25 on notification of subsidy programs. China has not notified its National IC Fund or the various provincial and municipal IC Funds, claiming that they represent "private equity." Such private equity is covered by Article 1.1(iv), which states that a subsidy shall be deemed to exist if "a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions ... which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments." The various IC Funds are carrying out the explicit directives of the Chinese government in the IC Promotion Guidelines, *Made in China 2025*, the 13th FYP, the 14th FYP, *State Council Technical Area Roadmap for Made in China 2025*, and other industrial policy measures, and implementing a governmental function by allocating government-funded support to eligible firms and SOEs.

Given the breakdown of the WTO's subsidies notification process under SCM Article 25, SIA has worked to establish an alternative, plurilateral process with other leading semiconductor economies through the *WSC/GAMS Regional Support Guidelines and Best Practices*. This has involved a series of notifications of regional support programs by WSC/GAMS members and has led to modest but insufficient improvements in transparency. Indeed, the WTO Secretariat's June 2024 Trade Policy Review report on China noted "the overall lack of transparency on China's government support" contributes to debates on "overcapacity in certain sectors".⁴²

⁴⁰ Organization for Economic Cooperation and Development, "Measuring distortions in international markets: The semiconductor value chain", *OECD Trade Policy Papers*, No. 234, 2019. <http://dx.doi.org/10.1787/8fe4491d-en>.

⁴¹ Tomoo Marukawa, "From Investor to Entrepreneur: China's Semiconductor Industrial Policies," *Issues & Studies*, March 2023, 16.

⁴² World Trade Organization Secretariat, "Trade Policy Review, Report by the Secretariat: China" (June 12, 2024) at https://www.wto.org/english/tratop_e/tpr_e/s458_e.pdf

F. Encryption/“Secure and Controllable”

Semiconductors are increasingly dependent on encryption as an essential functionality for protecting privacy and safeguarding sensitive commercial information. In recent years, China has employed cybersecurity-based assessments to target foreign companies and their products. In August 2014, MIIT published *Guiding Opinions Concerning Strengthening Cybersecurity Work in the Telecommunications and Internet Sectors* to promote “secure and controllable” software and hardware and “indigenous research and development.” The aim was to “move forward with the application of secure and controllable key software and hardware, and play a positive role in safeguarding national security, stimulating economic development, protect the interests of the popular bases and build a strong network country.”

China followed up in October 2019 by adopting a *Cryptography Law* with restrictions on commercial encryption products and requiring that they undergo a security assessment. In August 2020, the State Cryptography Administration issued a new set of *Commercial Cryptography Administrative Regulations*, including a new review process to regulate the purchase of ICT products, including semiconductors, by critical information infrastructure operators and online platform operators in China, ostensibly to address potential national security risks. We remain concerned about the broad scope of these measures and by requirements that ICT equipment and other ICT products in critical sectors be “secure and controllable,” as these have discouraged the use of U.S. and foreign ICT products.

G. Antidumping Processes

China in recent years has employed a variety of tools to retaliate against U.S. policy actions it perceives as discriminatory to Chinese interests, including anti-dumping investigations. Recently, on September 13, 2025, China’s Ministry of Commerce (MOFCOM) initiated an antidumping investigation into certain U.S. analog chips, including commodity interface integrated circuits and gate driver chips. This targets a range of U.S. chips, wafers, and dies that are all “legacy” IC products. While MOFCOM has until September 13, 2026, to determine a remedy, a tariff could exceed 300%, effectively barring participants from the market.

This antidumping case is ironic in light of the Chinese government’s continued support to expand domestic legacy chip production significant subsidies. China’s artificially supported growth carries many implications for the global semiconductor and electronics industries. As detailed in SIA’s response to USTR’s request for comments for its Section 301 investigation, China’s share in global capacity of mature-node semiconductor production has grown significantly from 19% in 2015 to 33 percent in 2023 while other regions’ shares of mature-node capacity have slipped.⁴³ Japan’s share of global mature-node semiconductor production capacity fell from 19 percent to 15 percent, and Europe’s share dropped from 15 percent to 14 percent over that timeframe. China’s mature-node capacity grew more than 4 times faster than global demand. It is against this backdrop

⁴³ Semiconductor Industry Association, “SIA Comments on USTR Section 301 Investigation on Chinese Legacy Chips,” February 5, 2025. <https://www.semiconductors.org/wp-content/uploads/2025/02/USTR-2024-0024-00109674-CAT-5016-Public-Document.pdf>.

that G7 Ministers identified non-market policies and practices in the semiconductor sector as “an urgent and pressing matter to be addressed.”⁴⁴

H. Competition

Competition enforcement in China has been inconsistent and discrimination against foreign firms has not been resolved with the 2022 revision to the Anti-Monopoly Law.⁴⁵ Chinese competition authorities should treat U.S. entities no less favorably than domestic firms in like circumstances, including in investigations, enforcement actions, and merger reviews. Remedies related to conduct or assets outside of China’s jurisdiction should be limited to instances where there is a clear and appropriate nexus to harm—or threatened harm—within China. Furthermore, China should apply principles of local nexus and international comity when reviewing cross-border mergers and acquisitions, to avoid extraterritorial overreach and ensure alignment with global norms. These commitments are essential to fostering a predictable and non-discriminatory regulatory environment for U.S. companies operating in China.

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SIA appreciates the opportunity to provide these comments and looks forward to continued engagement with USTR and other U.S. government agencies. If you have any additional questions or would like to discuss these comments further, please contact Emma Rafaelof at SIA at erafaelof@semiconductors.org.

⁴⁴ G7 Second Ministers’ Meeting on Industry and Technological Innovation, “Chair’s Summary,” October 10, 2024. <https://www.g7italy.it/wp-content/uploads/Chairs-summary.pdf>.

⁴⁵ Wentong Zheng, “The Chinese Antitrust Paradox,” *University of Chicago Business Law Review*, Volume 2.2, 2023, 391-427. <https://businesslawreview.uchicago.edu/print-archive/chinese-antitrust-paradox>.