



## Post-Hearing Comments

# CCIA Comments on the U.S. Trade Representative's 301 Investigation into China's Acts, Policies, and Practices Related to Targeting of the Semiconductor Industry for Dominance

This post-hearing submission of comments responds to the United States Trade Representative's (USTR) request for further information regarding the fungibility of foundational semiconductors and the market share of the People's Republic of China (PRC) firms in key nodes. It supplements the Computer & Communications Industry Association's (CCIA) written comments and testimony previously submitted to USTR regarding this investigation.<sup>1</sup>

## Non-fungible nature of foundational semiconductors

During the hearing, representatives from the Department of Transportation requested additional information regarding the extent to which foundational semiconductors can be considered fungible. As outlined in previously submitted written comments, foundational semiconductors are increasingly non-substitutable. The U.S. government has previously defined foundational semiconductors as those of the 28-nanometer generation or older,<sup>2</sup> encompassing a wide range of semiconductors used in diverse and specialized applications. While some, such as legacy DRAM, function more like commodities, many foundational semiconductors have become differentiated through advanced process technologies and performance characteristics, making them non-substitutable components for integration into final products.

This distinction is essential for the success of USTR's investigation. If USTR is to determine that the PRC has employed policies to establish dominance over specific foundational semiconductors, such dominance may only affect certain U.S. industries. This would require a targeted remedy focused on specific types of foundational semiconductors, defined by their material inputs or applications. Failing to recognize this would undermine the effectiveness of potential remedies. First, remedies that broadly target foundational semiconductors in response to the PRC's alleged dominance over specific types could inadvertently harm or

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<sup>1</sup> CCIA is an international nonprofit membership organization representing companies in the computer, Internet, information technology, and telecommunications industries. Together, CCIA's members employ nearly half a million workers and generate approximately a quarter of a trillion dollars in annual revenue. CCIA promotes open markets, open systems, open networks, and full, fair, and open competition in the computer, telecommunications, and Internet industries. A complete list of CCIA members is available at <http://www.ccianet.org/members>. CCIA's written comments for this investigation can be found here <https://ccianet.org/library/ccia-comments-on-301-investigation-into-chinas-targeting-of-the-semiconductor-industry/>, and testimony can be found here <https://ccianet.org/library/ccia-testimony-at-ustr-hearing-on-301-investigation-into-chinas-policies-on-legacy-chips/>.

<sup>2</sup> <https://www.congress.gov/bill/117th-congress/house-bill/4346/text>.



restrict a wider range of non-PRC firms, including U.S. companies. Second, efforts to reduce dependence on PRC firms would need to be tailored to address the particular types of foundational semiconductors involved, as they may involve sourcing to different secondary markets or establishing certain incentives to attract investment in domestic production.

## Market share of PRC firms in foundational semiconductors

During the hearing, representatives from the Department of Transportation requested additional information regarding the market share of PRC firms in foundational semiconductors, broken down by node size. In general, PRC firms do not hold a significant market share, as evidenced by the Department of Commerce's preliminary survey, which found that PRC-sourced foundational semiconductors account for only 2.8% of total chips consumed by units and 1.3% of total chips by value.<sup>3</sup> If USTR is to make an actionability determination that the PRC employs policies aimed at achieving dominance over this sector, the investigation should clarify a threshold, using both qualitative and quantitative measures, to determine at what point dominance is considered to be achieved. Furthermore, while the overall share of PRC-sourced foundational semiconductors remains low, this share may vary across specific types of foundational semiconductors. If the investigation finds that the PRC is targeting certain types of foundational semiconductors for dominance and creating a risk of dependency for those specific technologies, any remedies resulting from this investigation should be narrowly tailored.

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<https://www.bis.gov/media/documents/public-report-use-mature-node-semiconductors-december-2024>.