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ADVANCING TRANSFORMATIVE TRANSPORTATION
TECHNOLOGIES TO ENSURE OUR ENERGY SECURITY

July 19, 2022

The Honorable Kevin McCarthy
House Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Ensure American Semiconductor Leadership

Dear Leader McCarthy:

SAFE and its Energy Security Leadership Council (ESLC) were created to end dependence on oil in order to strengthen the economic and national security of the U.S. We have since expanded our work to end similar vulnerabilities in supply chains from batteries to semiconductors. As national security professionals and industry leaders, we are writing today to express our concern that America risks failing to act to ensure our continued global leadership in semiconductor technology and reduce our dependence on vulnerable overseas supply chains. Two years after the first bipartisan Senate vote to bolster America's semiconductor industry, it is time for to pass the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act before the end of the 117th Congress.

America created the semiconductor industry as we responded to the Soviet threat during the Cold War, and it remains vital to our national security. Today, while we continue to lead in chip design and many other areas, we no longer produce the most advanced chips required to power the technologies of tomorrow such as artificial intelligence, quantum computing, 5G, and electric and autonomous vehicles. These technologies are critical to maintain a modern economy and ensure our traditional military advantage.

The U.S. and its friends and allies in Asia and Europe still occupy the technological commanding heights of the industry. But the People's Republic of China—our chief strategic competitor—is spending well over \$150 billion to expand its own capacity and challenge our position, and is expected to have the largest global share of semiconductor production by 2030. Beijing has shown a willingness to use supply chains for geopolitical leverage.

Meanwhile, Beijing continues its threatening actions toward Taiwan—the world’s leading and indispensable producer of advanced chips and a staunch partner of the United States—and has vowed to eventually “reunify” Taiwan with the mainland, using force if necessary. China also has the capacity to disrupt or threaten the supply chain across the rest of East Asia, where much of the global semiconductor industry resides.

Critical American industries such as information technology, transportation, automotive, aerospace, and defense, together with our military and intelligence agencies, depend on a secure and reliable supply of chips of all types. This dependence, especially in light of the threat Beijing poses to the region, puts our economic and national security at risk.

Our credibility and the predictability required for a complex project of this type are also at risk. After two years of proclaiming the urgency of the task, we must not fail to follow through. Further delay will hobble industry’s ability to plan investments and would risk sending the wrong signal to friends and adversaries alike. The European Union and others are competing to attract industry to build up their semiconductor capacity; these companies cannot wait forever to make decisions on where to invest.

There are many worthy provisions in the Senate and House competitiveness bills that contain the CHIPS funding. But getting the CHIPS incentives in place is especially urgent, given the years it will take to select industry projects for funding, obtain the necessary permits, and build new semiconductor foundries. Therefore, we respectfully recommend that Congress consider the following steps:

1. Remove CHIPS funding from other China competitiveness legislation and send it to the President as a freestanding bill.
2. Ensure that under the bill that goes to the President, non-U.S. companies based in countries that are our friends and allies (who in some cases will bring leading edge manufacturing capabilities no U.S. company can match) can compete for CHIPS investment on a fair and equal footing.
3. For an even stronger package, add to the CHIPS funding the Facilitating American-Build Semiconductors (FABS) Act tax credit to provide a stable, predictable, longer-term incentive for industry that would build upon the momentum from the CHIPS funding.
4. Consider bipartisan legislation along the lines of HR 7870 and S. 3451 to expand the expedited environmental review and permitting process under Title 41 of the Fixing America's Surface Transportation (FAST) Act, commonly known as FAST-41, to include semiconductor and other technology-related infrastructure projects.

In closing, “an avoidable strategic mistake” is a phrase that historian Niall Ferguson uses to describe Rome’s loss of its North African breadbasket, a key factor in the empire’s decline and fall. Asked to describe a modern equivalent, Dr. Ferguson cited the loss of America’s semiconductor leadership. Today we have the opportunity to avoid such an outcome, but we must act now.

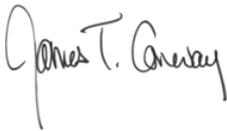
Very respectfully yours,

Admiral Dennis C. Blair (Ret.), USN
Chairman, SAFE

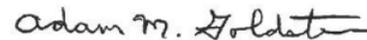
Former Director of National Intelligence and Commander in Chief, U.S. Pacific Command



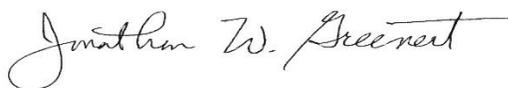
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