

October 31, 2022

The Honorable Jack Reed
Chairman
Senate Armed Services Committee
United States Senate
Washington, D.C. 20510

The Honorable Jim Inhofe
Ranking Member
Senate Armed Services Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Reed and Ranking Member Inhofe:

The Coalition for a Prosperous America (CPA) writes in support of the Schumer-Cornyn amendment that would ensure taxpayer dollars are not spent on China-made semiconductors. The amendment is necessary and should be included in this year's National Defense Authorization Act (NDAA) as it would prohibit the US from doing business with Chinese microchip companies—notably, Semiconductor Manufacturing International Corp. (SMIC), ChangXin Memory Technologies (CXMT), and Yangtze Memory Technologies (YMTC) and others.

CPA published a report¹ in March 2021 along with China Tech Threat (CTT) that discussed the dangers of doing business with these Chinese chip producers. It has been well documented that these chip producers and others have direct ties to China's military.

SMIC

- People's Liberation Army (PLA) researchers use SMIC chips and processes, indicating it tailored for their purposes
- Radiation hardening (military and space purposes) employ a SMIC process design kit
- Collaborates closely with a top PLA contractor
- As of October 7, 2022 – the Department of Commerce issued heightened rules that will impact the sales of equipment for manufacturing of chips expected to directly impact SMIC, in addition to the September 25, 2020 BIS rules that require US businesses to obtain export licenses for exports to SMIC

CXMT

- Made in China 2025 favor designation
- Potentially violating IP rights
- Unexplained extraordinary rise with ambition to create half the global DRAM demand

¹ [Maintaining U.S. Leadership in Semiconductors and Countering China's Threat: https://prosperousamerica.org/wp-content/uploads/2021/03/CTT_CPA_Semiconductor_White_Paper_3.20.21_FINAL.pdf](https://prosperousamerica.org/wp-content/uploads/2021/03/CTT_CPA_Semiconductor_White_Paper_3.20.21_FINAL.pdf)

YMTC

- Owned by TshinUniversity/ Unigroup which was blocked by CFIUS from purchasing US semiconductor manufacturers
- Linked to Huawei - which was among first wave of buyers for chips produced by YMTC
- Expectation to increase from 0 to 8 percent global NAND market in just two years²

While CPA supported the passage of the CHIPS Act, we emphasized the importance of protecting financial incentives and investment to grow domestic production and keep them away from China. In considering next steps and this opportunity before Congress now via the NDAA, we cannot reiterate enough the dangers of DOD relying on Chinese-made chips and systems that contain them—as opposed to a trusted, secure, and reliable supply chain for both our commercial and military needs. Amendments like these are necessary to strengthen US leadership in chip manufacturing and other essential industries so that we protect our own interests and lead the world—not the CCP.

China will always outspend the US to prop-up its own industry for competitive advantage, and it is unlikely to change its anticompetitive practices, therefore the Senate should adopt this amendment to stymie the growth of China’s semiconductor industry by removing US taxpayer dollars from flowing to its companies. The Biden administration’s National Defense Strategy³ - as noted by the Pentagon’s press release - “places a primary focus on the need to sustain and strengthen U.S. deterrence against China.” If we agree with this statement and primary objective for US defense policy – which is authorized by the NDAA – then this amendment must be adopted. American defense capabilities should not be reliant on exports from CCP-controlled China, nor should the US be funneling money to these businesses beholden to Beijing.

Sincerely,
Zach Mottl, Chairman



Coalition for a Prosperous America

Michael Stumo, CEO



Coalition for a Prosperous America

CC: The Honorable Chuck Schumer, Majority Leader
The Honorable Mitch McConnell, Republican Leader

² [The Art of Balancing Economic and National Security: Policy Review of Semiconductor Manufacturing Equipment Export Control: https://chinatechthreat.com/wp-content/uploads/2020/10/The-Art-of-Balancing-Economic-and-National-Security.-Semiconductor-Manufacturing-Equipment-Export-Control-FINAL-Oct-2.-2020_-1.pdf](https://chinatechthreat.com/wp-content/uploads/2020/10/The-Art-of-Balancing-Economic-and-National-Security.-Semiconductor-Manufacturing-Equipment-Export-Control-FINAL-Oct-2.-2020_-1.pdf)

³ [2022 National Defense Strategy press release: https://www.defense.gov/News/News-Stories/Article/Article/3202438/dod-releases-national-defense-strategy-missile-defense-nuclear-posture-reviews/](https://www.defense.gov/News/News-Stories/Article/Article/3202438/dod-releases-national-defense-strategy-missile-defense-nuclear-posture-reviews/)