



July 13, 2022

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader Schumer, Minority Leader McCarthy, and Minority Leader McConnell:

We are grateful for your enormous effort to reconcile differences between the two chambers on the Bipartisan Innovation Act. Bipartisan negotiations in recent weeks have made tremendous progress, and we appreciate how close we are to final text.

Our economic and national security depends on our ability to invest in the technologies of today and tomorrow. U.S. leadership in technology and innovation has long underpinned U.S. economic prosperity and military strength, but must not be taken for granted. For the first time we face a strategic competitor in China that is both determined to become the global leader in the industries of the future and has the means and resources to do so if we are not on our game.

Semiconductors are ground-zero in this technological competition. They are driving innovation and competitiveness in nearly every emerging technology – from artificial intelligence to next-generation wireless technology, to biotechnology – and also have a wide range of critical national security applications. This bill will prioritize strengthening domestic manufacturing capacity and supply chain resiliency, spur domestic semiconductor manufacturing, make transformational commitments to research and development, and help counter competition from China, while also shoring up U.S. competitiveness, lowering costs and creating jobs. The Bipartisan Innovation Act is critical to ensuring America's global leadership in the 21st Century, and it is essential that we move quickly to deliver this bipartisan legislation for the American people.

Fully funding the Creating Helpful Incentives to Produce Semiconductors (CHIPS) in America Act, included in both House and Senate versions of the bill, is the only way to reduce our reliance on foreign-produced semiconductors. This funding is critical for our national security, will advance domestic supply, create good-paying jobs, and will catalyze billions more in private investment.

If these funds are not appropriated in the coming weeks, the United States will miss out on the current wave of semiconductor investment. Chip producers must make capital expenditure decisions now to meet the enormous increased demand. If we do not act, they will expand in countries that are already aggressively offering incentives, rather than here in the United States.

This bill will make a difference to American commercial and economic competitiveness. Other countries are acting aggressively to provide incentives and secure investments as part of the industry's current investment cycle. European governments are investing \$30-50 billion as part of the European CHIPS Act; India has committed \$30 billion to semiconductors and electronics; Japan has committed \$7 billion and has already given out incentives; and Korea has implemented initiatives to attract tens of billions of investments by 2030. We have confirmed that these countries are actively negotiating with companies. China, in the meantime, has already spent \$150 billion on its semiconductor industry and accounts for nearly all new production capacity for chips used in cars, medical devices, cell phones and defense equipment since 2020.

We are at a critical decision point for the industry. Demand for semiconductors already outpaces supply. More than 150 producers, consumers, and intermediaries responded to a voluntary Request for Information conducted by the Department of Commerce last September. Respondents confirmed that demand for semiconductors had increased 17 percent in the previous two years and median inventories had fallen from 40 days to less than 5 days during that time. Meanwhile, fab utilization rates were at or above 90 percent. External analysts project demand for semiconductors will grow by 20 percent between 2021 and 2025. Semiconductor companies need to get "concrete in the ground" by this fall to meet this increased demand in the years ahead. CEOs of firms all along the supply chain have made clear that the industry is deciding where to invest now.

Firms are eager to make those investments in the United States. They want to capitalize on our Nation's strengths – from our talent pool to our innovation ecosystems. Funding the CHIPS Act will demonstrate America's commitment to robust domestic semiconductor capacity and will give companies throughout the supply chain the confidence they need to move forward with investments here. But this growth in the industry will move forward with or without the United States.

Historically, investment in the industry happens in waves that surge and subside, with this pattern repeating every 5-7 years. If we miss this window, the United States will fall further behind in global semiconductor production and jeopardize our advantage in next generation design. Further, we will entrench our overdependency on other nations for our semiconductors – a vulnerability that requires immediate action.

Funding the CHIPS Act is critical to our national defense. Weapon systems employed on the battlefields of today and emerging technologies of tomorrow depend on our access to a steady, secure supply of microelectronics. Immediate passage will revitalize the domestic semiconductor manufacturing industry and enable game-changing capabilities our Warfighters need. It will also enable the Department of Defense to help on-shore critical capabilities and innovate within our national defense industrial base, further assisting American small businesses move across the defense acquisition "valley of death" that too often swallows promising technologies before they reach the battlefield. Our strategic competitors, too, are making

investments in semiconductor research, development, and manufacturing. Microelectronics enable weapon systems across all domains of warfare. The investments made in the Bipartisan Innovation Act are investments in American leadership in national defense for now and years to come.

We agree that the manufacturing of semiconductors is an imperative for our national security. For the last several months, our departments have been working together to further define these needs so that we can quickly support them through funding the CHIPS Act.

We face a once-in-a-generation opportunity to lay a long-term foundation for a robust and competitive innovation economy. It is our assessment that further delay in advancing a final agreement on the Bipartisan Innovation Act will result in a deficit of semiconductor investment from which we may not be able to recover. We are at your service to do anything we can to support negotiations.

Sincerely,



Gina M. Raimondo
Secretary of Commerce



Lloyd J. Austin III
Secretary of Defense