

United States Senate

WASHINGTON, DC 20510-4305

July 28, 2022

The Honorable Gina Raimondo
Secretary
Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

Dear Secretary Raimondo:

We write to express our concern with recent news and developments that indicate the growing threat People's Republic of China (PRC) semiconductor companies such as Yangtze Memory Technologies Corp (YMTC) pose to the U.S. semiconductor industries as well as our national security interests.

As recent media¹ and trade press reports indicate, PRC semiconductor companies are rapidly gaining ground in production capabilities. They are now producing advanced chips specifically designed and used by PRC companies that are sanctioned by the United States.

These advances are not driven by private investment and ingenuity. Rather, Beijing is spending vast sums to expand the production capacity of its designated "national champion": YMTC, which makes storage (NAND flash) semiconductor chips. China capitalizes on this investment by using YMTC to supply NAND to Chinese companies that are sanctioned by the US government, including Huawei², thereby limiting the effectiveness of the US's sanctions regime. Moreover, YMTC appears to be part of China's Civil Military Fusion strategy as its parent company, Tsinghua Unigroup, supplies the PRC military, and its executives and board members have participated in the PRC's military modernization efforts.³

The White House noted in June 2021 that YMTC has received at least \$24 billion in subsidies from Beijing.⁴ With a protected domestic market and the ability to sell below cost and operate at a loss, these two companies are on track to mirror China's takeover of other industries such as steel, solar panels, flat panel displays, and LEDs, with the longer-term ability to shape downstream markets and ecosystems.

YMTC is an immediate threat. By the end of 2022, YMTC plans to begin production at

¹ <https://asia.nikkei.com/Business/Tech/Semiconductors/China-s-Yangtze-Memory-takes-on-rivals-with-new-chip-plant>

² <https://www.ft.com/content/8078f71e-d115-43c1-8f68-e5b6ec6cfcda>

³ <https://www.forbes.com/sites/roslynlayton/2021/01/04/china-aims-to-dominate-flash-memory/?sh=318918a42fd6>

⁴ <https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>

its second factory, or fab, in Wuhan. A third fab is also expected to be completed by 2025.⁵ Independent analysts project that in its aggressive bid to secure market share, YMTC is set to drive international industry-wide margins negative, plummeting margins to -38% by 2026.⁶ YMTC's oversupply is projected to erase over \$100 billion in industry revenue by 2026⁷, which would force non-PRC memory firms to exit the market or consolidate. Due to support of the Chinese Communist Party (CCP) and its market-distorting policies, these companies pose significant risk to American national security and economic interests.

The U.S. government rightly refrains from market interventions in most cases. At the same time, Congress has recognized that market-based incentives, coupled with sensible permitting improvements, are crucial to reinvigorating global semiconductor manufacturing as a matter of national security. That is why Congress passed the CHIPS Act in 2020 and is now working to finalize \$52 billion in appropriations and tax incentives to support the industry. However, if nothing is done to address the abusive actions taken by the CCP and its distortion of the semiconductor equipment market, such efforts could be undermined.

We request you bring the ongoing microelectronics policy deliberations to a rapid conclusion, including by moving forward with additional technology controls on firms whose activity represents a threat to U.S. national security or foreign policy interests. The direction of U.S. policy will determine whether U.S. companies continue to lead in the global semiconductor memory and storage industry.

The U.S. Department of Commerce has the necessary tools to address this behavior—including by adding YMTC to the Entity List. By failing to add YMTC to the Entity List, the U.S. Department of Commerce is allowing the PRC to exploit our technological sector and supply sanctioned parties in China.

Thank you for your attention to this matter, and we look forward to your prompt response.

Respectfully,



John Cornyn
United States Senator

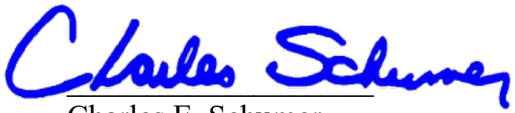


Mark R. Warner
United States Senator

⁵ <https://www.dramx.com/News/Memory/20211221-30347.html>

⁶ https://s3.i-micronews.com/uploads/2021/12/Product_Brochure_NAND_Q1_2022.pdf

⁷ Mulvenon, James. "BLUE HERON: Yangtze Memory Technologies Co.." SOS International LLC. February 2021



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