

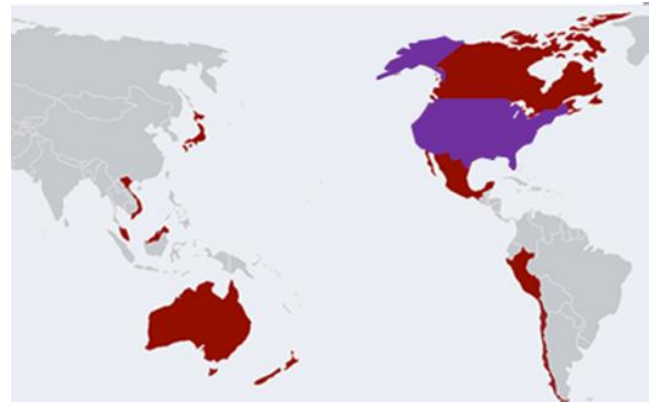
Trans-Pacific Partnership (TPP) Agreement: Benefits to the U.S. Semiconductor Industry

International trade is vital to the U.S. semiconductor industry and the American economy. Access to global markets has enabled our industry to compete successfully and maintain a leading market position with more than half of the \$336 billion global semiconductor market share in 2014. The importance of the huge and growing markets of the Asia-Pacific to U.S. exporters cannot be understated.

As a group, the current TPP signatories represent the **largest goods and services export market** of the United States. U.S. goods exports to TPP countries totaled \$698 billion in 2013, representing 44 percent of total U.S. goods exports. The TPP would be the largest U.S. FTA to date by trade value.

The TPP and the Semiconductor Industry

U.S. exports of semiconductors to the TPP countries totaled \$17 billion in 2014 and accounted for 41 percent of total U.S. semiconductor exports to the world. U.S. semiconductor exports to the broader Asia-Pacific totaled \$36.5 billion in 2014, representing 85 percent of total U.S. semiconductor goods exports to the world. TPP will help provide U.S. companies with access to growing global markets in Asia.



US semiconductor exports to TPP countries accounted for 41% of total US semiconductor exports

The TPP sets the rules for **new cross-cutting issues** not previously included in trade agreements that will set **important precedents** for other trading partners, particularly **China**. Key features of importance to the semiconductor industry include:

- Rules preventing market-access restrictions on commercial products with encryption
- New procedural safeguards and increased penalties to protect trade secrets and other forms of IP.
- Requirements to ensure cross-border data flows
- Rules against localization requirements for computer infrastructure
- Non-discriminatory treatment of electronically transmitted digital products.
- Simplification and harmonization of customs and trade procedures to make regulatory systems of trading partners more compatible and remove impediments to e-commerce
- Commitments ensuring state-owned enterprises compete fairly and transparently without undue government advantage
- Requirement for Parties to join the WTO Information Technology Agreement, a key trade pact that eliminates tariffs on tech products

SIA Priorities in the TPP

Products Containing Encryption

- For the import and commercial sale of products containing cryptographic capabilities, no requirements to:
 - Transfer or access proprietary knowledge
 - Partner with a domestic entity
 - Use a particular technology or standard
- The import, use, and commercial sale of products containing encryption should be largely unrestricted

Trade Secret Protection

- Establish procedural safeguards to:
 - Limit parties from implementing overbroad certification systems and other regulatory schemes that require unnecessary disclosure of trade secrets as a condition of market access.
 - Protect trade secrets and proprietary information from being intentionally or unintentionally leaked.
- Strengthen trade secret enforcement

Why are Encryption Rules and Trade Secret Protection Important to the Semiconductor Industry?

Commercial encryption, enabled by semiconductors, is now used in nearly all ICT products commonly used and traded globally (see illustrations). The adoption of restrictive policies, such as technology mandates or requirements to transfer or provide access to proprietary information, could threaten the large trade flows of semiconductors and other ICT products. New TPP rules on encryption will:

- Ensure that government policies on commercial encryption do not unfairly impede global trade of semiconductors and other ICT products
- Enable domestic access to the best ICT products and leading-edge technologies available in the global marketplace for security and privacy
- Prevent fracturing of the global digital infrastructure by ensuring technology interoperability across markets
- Reduce potential costs from unauthorized disclosure of sensitive intellectual property

Examples of commercial products that contain encryption



Trade Secrets can comprise up to 80% of the value of a company's IP portfolio. Despite their tremendous importance, trade secrets remain extremely vulnerable. New TPP rules will enhance trade secret protection by:

- Limiting IP disclosure requirements in certification/regulatory schemes
- Requiring conformity assessment procedures that protect against intentional or unintentional leaking of business information.