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October 15, 2024

Ambassador Shigeo Yamada
Embassy of Japan in the United States
2520 Massachusetts Ave NW,
Washington, DC 20008

Dear Ambassador Yamada,

We write to seek your urgent action to address the flow of Japanese semiconductor manufacturing equipment (SME) to the People’s Republic of China (PRC). The export of Japanese, U.S., and Dutch SME technology to the PRC is significantly contributing to a growing global dependency on the PRC’s semiconductor manufacturing capacity and enabling its industry to manufacture advanced semiconductors.¹ While we understand negotiations to strengthen our multilateral export controls remain ongoing, recent news indicates negotiations face a delay, in part over concerns by participants that enhanced controls will have a negative financial impact on your SME industry.²

Suggestions that Japanese, U.S. or Dutch SME manufactures have been hurt by multilateral export controls do not appear to stand up to scrutiny. In the last five years alone, the stock prices of some of the world’s largest SME manufacturers – Applied Materials, Lam Research, ASML, and Tokyo Electron – are up 309%, 254%, 214%, and 155% respectively.³ As governments in both the United States and Europe invest billions of dollars to support domestic semiconductor manufacturing initiatives, claims by the SME industry that enhanced export controls are materially impacting their bottom line are not particularly persuasive.. For example, in Applied Materials’ most recent quarterly results, it highlighted its “record revenue” that was in the “high end” of all possible projections.⁴ Lam Research, another major SME manufacturer said

¹ David, Ryan, Torsekar, et al. Silverado Policy Accelerator. “Foundational Fabs: China’s Use of Non-Market Policies to Expand its Role in the Semiconductor Supply Chain.” October 2023. <https://silverado.org/news/report-foundational-fabs-chinas-use-of-non-market-policies/>

² Hawkins, Ari. Politico. “US, Japan, Netherlands deal to curb chips to China faces delay.” September 2024. <https://subscriber.politicopro.com/article/2024/09/us-japan-netherlands-deal-to-curb-chips-to-china-faces-delay-00181758>

³ Yahoo Finance analysis of selected stocks. <https://finance.yahoo.com/>. Dated accessed on October 7, 2024,

⁴ Applied Materials. “Applied Materials Announces Third Quarter 2024 Results.” August 2024. <https://ir.appliedmaterials.com/news-releases/news-release-details/applied-materials-announces-third-quarter-2024-results>

on a July 31, 2024, earnings call that its quarterly results “exceeded our guidance ranges for all financial metrics.”⁵ Even Tokyo Electron recently said it “anticipated record-high figures in net sales and gross profit” for fiscal year 2025.⁶

We believe that the long-term national security threat – not just to the U.S., but also to Japan and the Netherlands – posed by these problematic SME exports to the PRC is substantial. The PRC is actively leveraging U.S, Japanese, and Dutch SME to build out the world’s largest semiconductor manufacturing industrial base that could, by some estimates, control around 50% of global foundry capacity for 50 to 180 nanometers within the next decade.⁷ Equally alarming, much of this foundry capacity is being built by Huawei, with the company keeping its involvement in the projects secret. This means a large amount of our SME exports to the PRC are directly going to a firm that has a pattern of undermining our national security.⁸ Our countries should work together to ensure this threat does not continue.

Chips at the threshold the PRC is currently seeking to dominate are the lifeblood of a modern economy and a modern military, forming the foundation of almost every electronic and every weapons system in circulation today. If we do not intensify our efforts to address these concerns in a multilateral manner, the United States, Japan, and Dutch, through problematic SME shipments to the PRC, will be giving the Chinese Communist Party (CCP) a functional veto over our nations’ ability to produce our weapons systems and modern consumer goods at necessary levels.

We acknowledge and commend Japan’s role as a longstanding partner of the United States on PRC-focused export controls and recognize the perceived cost of enacting SME export controls, both in loss of some private sector revenue and potential PRC retaliation. However, the success of our multilateral controls depends on our ability to rapidly update and strengthen them to get ahead of PRC efforts to circumvent them. If our multilateral controls take a year or more to update, their effectiveness will be eroded.

With this urgency in mind, while we believe multilateral action is the best path to address the PRC’s use of our SME, the United States retains multiple tools to unilaterally move forward if negotiations are unsuccessful. Congress is prepared to provide bipartisan support to the Administration, including through new statutory authority if needed, to expand the scope of the Foreign Direct Product Rule (FDPR) to ensure that any sophisticated SME machine produced with any U.S. technology in Japan or elsewhere requires a U.S. export license prior to export to the PRC. Already, bipartisan legislation such as the ENFORCE Act is moving forward which will strengthen and improve the FDPR.⁹

⁵ The Motley Fool. “Lam Research (LRCX) Q2 2024 Earnings Call Transcript.” July 31, 2024.

<https://www.fool.com/earnings/call-transcripts/2024/08/01/lam-research-lrcx-q2-2024-earnings-call-transcript/>

⁶ Alpha Spread. “Earnings Call Analysis: Q1-2024 Analysis, Tokyo Electron Ltd.”

<https://www.alphaspread.com/security/tse/8035/earnings-calls/q1-2025>

⁷ Kleinhans, Goujon, Hess, et al. Rhodium Group “Running on Ice: China’s Chipmakers in a Post-October 7 World.” April 4, 2023. <https://rhg.com/research/running-on-ice/>

⁸ Shilov, Anton. Tom’s Hardware. “Huawei Builds Secret Fab Network to Avoid U.S. Sanctions.” August 2023.

<https://www.tomshardware.com/news/huawei-builds-secret-fab-network-to-avoid-us-sanctions>

⁹ U.S. House of Representatives. “H.R. 8315 ENFORCE Act.” <https://www.congress.gov/bill/118th-congress/house-bill/8315/text>. Introduced May 2024.

The PRC has clear designs to leverage our technology to advance its national strategy to dominate the global semiconductor sector for decades to come. Utilizing tools like a strengthened FDPR or even appropriate Treasury Department's authorities are viable options to consider as part of the effort to ensure technology flows to the PRC do not undermine our collective national security. Congress also retains the ability to adjust restrictions placed on CHIPS Act funding, including whether funds should be restricted to companies or countries that ship sophisticated SME to the PRC.

We appreciate your participation in ongoing dialogues and urge Japan to immediately match the U.S. government controls imposed on U.S. persons working on a range of sophisticated SME. Without this action, we believe the PRC will continue to threaten our collective security interests using sophisticated SME.

We deeply appreciate your attention to this serious matter and diplomatic engagement with the United States, and welcome the opportunity to engage with your Embassy staff to discuss the details of this letter.

Sincerely,



John Moolenaar
Chairman



Raja Krishnamoorthi
Ranking Member