Thank you for the opportunity to present testimony on the negotiating objectives for a U.S.-Japan Trade Agreement.

My name is Jay Chittooran, and I am the Public Policy Manager at SEMI, the global electronics manufacturing industry association. With more than 2,100-member companies worldwide – including more than 430 based in the U.S. and nearly 350 based in Japan – SEMI represents designers, equipment makers, materials producers, chipmakers, and end-use consumer electronics companies. Our member companies are the foundation of the $2 trillion electronics industry, and this vital supply chain supports 350,000 high-skill and high-wage jobs across the United States.

Semiconductors are essentially the “brains” of all electronic systems, making possible countless products on which we rely for business, transportation, healthcare, entertainment, and virtually all activities of modern human endeavor. These products have boosted economic growth, enhanced productivity, and driven innovation, and will continue to be central to U.S. growth and prosperity.

The semiconductor industry operates across the global economy, relying heavily on trade and a vast network of supply chains. Last year, more than 90 percent of semiconductor equipment made in the United States was exported. And as we’ve heard, Japan is a vital market for the semiconductor industry. After all, Japan is the fourth largest export market for U.S. semiconductor equipment companies. To contextualize that, U.S.-Japan bilateral trade volume exceeded $7.6 billion in 2017, which represented about one-fifth of all U.S. trade in this segment. In fact, SEMICON Japan, one of SEMI’s 7 annual expos, is happening as we speak in Tokyo, and will bring together 30,000 attendees, underscoring the importance of this relationship.

Reducing tariffs, eliminating regulatory barriers, and ensuring both parties are competing on a level playing field would benefit U.S. and Japanese semiconductor companies, the industry writ large, and the global economy. It is because of this that SEMI supports the Administration’s willingness to open bilateral trade negotiations with Japan.

SEMI listed 10 guiding principles in our written comments, which include language on state-owned enterprises, the development of market-oriented standards, and provisions on anti-discrimination, among other areas. I want highlight 4 particularly relevant principles:
1. **Maintain strong respect for intellectual property and trade secrets through robust safeguards and significant penalties for violators**
   As companies in our industry invest about 15 percent of revenues into R&D annually, protection of this valuable IP is essential. SEMI supports robust copyright standards, strong patent protections, and regulations that safeguard industrial design. We also strongly support rules that enhance trade secrets protection, including establishing criminal procedures and penalties for theft.

2. **Remove tariffs and end technical barriers on semiconductor products**
   Parties should eliminate tariffs not only on semiconductors, but all technology products that rely on chips. Removing tariffs and technical barriers is crucial for businesses, especially for small and medium-sized enterprises, in penetrating new markets.

3. **Enable the free flow of cross-border data and combat any attempts of forced technology transfer**
   All industries, including the semiconductor industry, rely on data. Countries should refrain from putting in place unjustifiable regulations that limit the free flow of information, which includes any data localization laws. To this end, we support creation of clear and firm rules that prohibit countries from requiring companies to transfer any proprietary information to anyone.

4. **Establish protections that balance security with privacy**
   Any trade deal should have firm consumer protections, but does not forgo security. Key to this is the use of encryption products. We also believe that parties should work to advance efforts on cybersecurity through self-assessment, declaration of conformity, increased cooperation and information sharing, all of which will help prevent cyber-attacks and stop the diffusion of malware.

In closing, SEMI strongly supports a bilateral deal between the United States and Japan, and we urge negotiators to include high-standards in this agreement. This will usher in further growth for the microelectronics industry, which, in turn, will fuel each country's economy.

I look forward to answering your questions. Thank you.