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SCIENCE, SPACE, AND TECHNOLOGY
Subcommittee on Space
Subcommittee on Energy

Congress of the United States House of Representatives

June 22, 2015

The Honorable Jacob J. Lew
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Lew,

I am writing to you in your capacity as Chair of the Committee on Foreign Investment in the United States (“CFIUS”).

I have the honor of representing the 48th District of California, comprising many innovative technology companies that are critical employers of United States citizens. I am concerned at what I witness to be a gutting of domestic semiconductor capability by China-funded acquirers.

Semiconductors are the fundamental enabler of advances in technology that our society has benefitted from over the past 50 years. From Intel designing the first microprocessor which sparked the personal computing generation, to Qualcomm which has enabled rapid advances in mobile processing, to Applied Materials which has innovated process technology and equipment to manufacture at an increasingly microscopic scale – these and other companies have inspired a competitive drive to create breakthrough new products. Without these advances, high profile products and applications that depend on these technological advances from the likes of Apple, Cisco, Facebook, Google, and Microsoft would not be possible.

Last year, China announced an ambitious \$100 billion program to invest in and acquire semiconductor companies and technologies. A troubling fact pattern has now emerged where important U.S.-based semiconductor companies have been the target of China-based companies and investment groups. The underlying objective of these Chinese entities has been to acquire important technology developed by these U.S. Companies, transport intellectual property and capabilities to China, and then deploy these capabilities for primarily domestic use.

As part of China’s program, three semiconductor companies have recently executed merger agreements with China acquirers, subject to CFIUS review:

- OmniVision, a Silicon Valley image sensor capability company, for \$1.9 billion.
- Divested RF Power assets of NXP to satisfy antitrust concerns related to NXP’s acquisition of FreeScale, for \$1.8 billion.

- Integrated Silicon Solutions Inc., “ISSI”, a Silicon Valley high speed memory products company, for \$732 million.

CFIUS experts have identified serious national security concerns regarding the divestiture of NXP assets to Jianguang Asset Management Co., a China State Owned Entity. OmniVision and ISSI share a common purchaser, Hua Capital Management Co., a China-sponsored private investment firm focused on semiconductor investments. Another member of the ISSI China purchaser group, SummitView Capital, was recently unsuccessful in its efforts to purchase another Silicon Valley semiconductor company, Spansion.

This accelerating trend negatively impacts U.S. long-term competitiveness and security through gradually shifting development of core technologies outside the U.S., and in these cases to a global power with which the United States has sensitive economic and national security relations. In view of the critical importance of semiconductor technologies to our national defense and infrastructure, I urge you to carefully scrutinize China’s semiconductor strategy as well as the collective impact of these recently announced acquisitions. I believe that China is engaged in a sophisticated “roll up” strategy in the hope that CFIUS will not focus on its piecemeal acquisitions of semiconductor capacity and technologies.

Thank you for your consideration. I, of course, stand ready to provide what information I can to support you in protecting our national interests through a close review of these transactions.

Sincerely,



Dana Rohrabacher
Member of Congress