



**Comments of the China Chamber of Commerce for Import and Export of  
Machinery and Electronic Products on New U.S. Semiconductor Export Control Rule**

On October 17, 2023, the Bureau of Industry and Security (BIS) of U.S. Department of Commerce released two new interim final rules (IFR) and a final rule on export controls on advanced computing semiconductors, semiconductor manufacturing equipment and supercomputer items against China, which amended the IFR released on October 7, 2022, to further tighten the restrictions on exports of chips related to artificial intelligence (AI) and semiconductor manufacturing equipment to China, expand the scope of controls, and add a number of Chinese entities to the export controls "Entity List".

As the most important economies in the world, China and the U.S. are close economic and trade partners to each other. Enterprises from the two countries have established deep cooperation in a wide range of sci-tech areas such as semiconductors, computers and communications. U.S. tech enterprises, in particular, enjoy a high share of business and market interests in China. Once entered into force, these new rules will give a heavy blow to the market cooperation and technological exchanges between Chinese and U.S. enterprises in sci-tech fields, undermine the foundation of "global cooperation" and "mutual trust" on which the development of the global tech industry depends heavily, reduce the competitiveness for global sci-tech innovation, and harm the short-term economic interests and long-term competitiveness of the U.S. enterprises concerned.

These new rules will produce obvious negative impacts on some member enterprises of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME). Given this, CCCME puts forward the following comments:

**First, CCCME is firmly opposed to unilateral measures which abuse export controls**

Upon consultation with the related member enterprises, including U.S.-funded enterprises, CCCME, on behalf of the industry, voices firm opposition to the U.S. continuous generalization of the concept of national security, abuse of export controls, and unilateral bullying.



# 中国机电产品进出口商会

China Chamber of Commerce for Import and Export of  
Machinery and Electronic Products

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As the world's second largest economy and largest developing country, China is an integral part of the global semiconductor industry, a key contributor to global sci-tech innovation, and an important consumer market, a source of profit and a driver of innovation for U.S. tech companies.

These new rules will significantly disrupt global tech supply chains, especially as AI is in a critical stage of accelerating global sci-tech innovation, and the unilateral measures taken by the U.S., the world's largest economy, will set a bad example by sabotaging the interests of a wide range of industries closely associated with the process of globalization. The rules will also drag down already fragile global macroeconomy, and potentially diminish the well-being sci-tech innovation created for people around the globe.

## **Second, the new rules generalize the concept of national security, violating the rules of the World Trade Organization**

The advanced computing semiconductors, semiconductor manufacturing equipment and supercomputing items involved in the proposed U.S. rules are high-tech AI products widely used in the civilian field. Semiconductor equipment, in particular, cannot be transformed into military uses, even if the chips produced are for civilian uses. Therefore, the inclusion of these items in export controls is groundless.

These rules are the self-sealing of "small yard with high fences" by the U.S., directly undermining exchanges and cooperation among Chinese, U.S. and related global enterprises and their economic benefits in the semiconductor and even tech fields, denting the trust and confidence of the semiconductor industry built up in international cooperation over the years, and slowing down the pace of the global tech industry and technological innovation.

## **Third, the new rules will jeopardize the broad interests of the global industry, including Chinese and American enterprises**

Featuring a highly globalized division of labor, the semiconductor industry is a driver and beneficiary of economic globalization and deep global division of labor and cooperation, and the important cornerstone of the multi-trillion dollar global tech industry and digital economy. International cooperation and collaborative innovation in the semiconductor industry among



# 中国机电产品进出口商会

China Chamber of Commerce for Import and Export of  
Machinery and Electronic Products

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countries, including China and the U.S., is the foundation of global sci-tech innovation development and prosperity.

The U.S. government continues to upgrade its export controls against China, and these new rules contain a wide range of adjustments and go beyond the scope of conventional controls. AI and the semiconductor industry are becoming increasingly important in the global economy, trade, science and technology, culture and other fields. However, the U.S. side attempts to adjust the description of parameters of controls on AI-related products and items in these new rules. Such short-sighted behavior of seeking its own dominance in the industry will affect the short-term economic interests and long-term market competitiveness of U.S. manufacturers.

According to the statistics, Chinese market accounts for about 1/3 of the global semiconductor market, generating more than \$50 billion in annual sales revenue combined for NVIDIA, Intel and Qualcomm. The new U.S. rules will directly restrict U.S. enterprises' sales in China. Besides, the forced cancellation of contracts will destroy the basis of cooperation between Chinese and U.S. enterprises, and force U.S. enterprises to choose suppliers from other countries and enhance independent innovation. Moreover, countermeasures, if any, would produce unanticipated devastating consequences.

#### **Fourth, CCCME hopes the U.S. could cancel its wrong unilateral measures**

CCCME supports our member enterprises with international cooperation, and stands committed to the international market to create economic value and promote scientific and technological progress together with enterprises from all countries. We always require and guide more than 10,000 member enterprises to comply with Chinese laws and regulations as well as those of countries where they have established their business operations. We advocate the establishment of an export control compliance mechanism among enterprises engaged in the import and export of dual-use items, to promote normal international exchanges and cooperation between enterprises.

CCCME is strongly opposed to U.S. improper controls that would destroy the ecosystem of the global semiconductor industry and undermine international market rules and order. We hope that the U.S. side can remove relevant measures as early as possible, based on a sober assessment of the far-reaching impacts of this revision on U.S. semiconductor enterprises and



# 中国机电产品进出口商会

China Chamber of Commerce for Import and Export of  
Machinery and Electronic Products

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on global industrial and supply chains, so as to safeguard the common interests of enterprises from countries around the world, to work together on a fair and just global business environment and, and to maintain global industrial and supply chains safe, stable and smooth.

CCCME calls on the U.S. government and industry to firmly safeguard the healthy development of the global semiconductor industry, and hopes that the U.S. side can cancel the proposed new rules which will produce a host of negative impacts, by widely listening to and fully considering the opinions of the industry and enterprises so as to safeguard the legitimate rights and interests, and competitiveness of both Chinese and U.S. enterprises concerned, and to maintain and push forward cooperation and development in the international semiconductor industry and sci-tech innovation.

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