

**Congress of the United States**  
**Washington, DC 20515**

December 6, 2016

The Honorable Jack Lew  
Secretary  
Department of the Treasury  
Chairman, Committee on Foreign Investment  
In the United States  
Washington, D.C.

Dear Secretary Lew:

Last month, it was reported that the American programmable-chip maker, Lattice Semiconductor Corporation, is being purchased by Canyon Bridge Capital Partners (CBCP). We are concerned with this transaction as CBCP appears to be directly affiliated with the government of the People's Republic of China (PRC) and further appears to be a legal construction intended to obfuscate the involvement of numerous PRC state-owned enterprises during the Committee on Foreign Investment in the United States (CFIUS) review process.

As you know, Lattice is the third largest American producer of Field Programmable Gate Array (FPGA) technologies. FPGA technologies are critical to American military applications, and the purchase of an American FPGA designer and manufacturer by a PRC-affiliated firm could disrupt the military supply chain and possibly lead to a reliance on foreign-sourced technologies for many critical Defense Department programs.

While CBCP is based in California, the company's financial arrangements appear to tie CBCP directly with the Chinese State Council. CBCP's primary financial backer is the China Reform Fund Management Company; it appears the China Reform Fund set up CBCP through its legal advisement firm, Jones Day. The China Reform Fund is nearly exclusively-owned and operated by the Chinese State Council. Further, several PRC government investors with the China Reform Fund also appear to finance numerous Chinese military industrial firms.

As you likely know, in China's most recent 13<sup>th</sup> Five-Year Plan, the government reiterated the importance of the semiconductor market to Chinese strategic military modernization and domestic technological advancement. The domestic Chinese semiconductor industry is characterized by direct government subsidies, foreign investment restrictions, and compulsory joint ventures.

Over the past year, there has been a significant increase of attempted Chinese acquisition of U.S. semiconductor firms, which we believe illustrates China's strategic effort to bolster its own capabilities with U.S. technologies as well as disrupt the American military supply chain. Moreover, China's Five-Year Plan lays forth the goal for the PRC to become the worldwide leader in semiconductor production by 2030. We wholeheartedly endorse Secretary of Commerce Pritzker's recent warning about the significant increase in Chinese investment in the global semiconductor market: "Let me state the obvious: this unprecedented state-driven

interference would distort the market and undermine the innovation system. [...] The U.S. government will make clear to China's leaders at every opportunity that we will not accept a \$150-billion industrial policy designed to appropriate this industry.<sup>1</sup>”

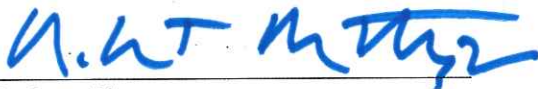
Anything other than a rejection of the acquisition of Lattice by this PRC-front entity would seem to undermine Secretary Pritzker's public commitment.

The PRC's interest in the U.S. semiconductor market is clear and well-coordinated, and their firms have faced well-deserved scrutiny when attempting to directly acquire American producers. In this instance, the PRC appears to have created an American venture capital firm to act as a conduit for Chinese government control over one of our largest semiconductor suppliers.

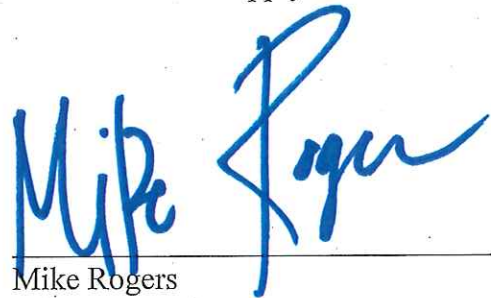
Recently, CFIUS objected to the acquisition of the German semiconductor firm, Aixtron, by the Chinese Fujian Grand Chip Investment Fund. We are also aware, according to press reports, that the U.S. government spearheaded an effort to ensure our German allies understood the risks of the PRC's efforts to acquire this firm, which in turn led to Berlin cancelling its approval of the acquisition of Aixtron.

We support these actions and respectfully urge you to ensure that CFIUS acts just as decisively in the instant case. Not only must CFIUS ensure the protection of our military semiconductor supply chain from undue Chinese government disruption, but our government needs to send a clear message to our allies that the United States will hold itself to the same supply chain and cybersecurity standards that we impose abroad.

Sincerely,



Robert Pittenger  
Member of Congress



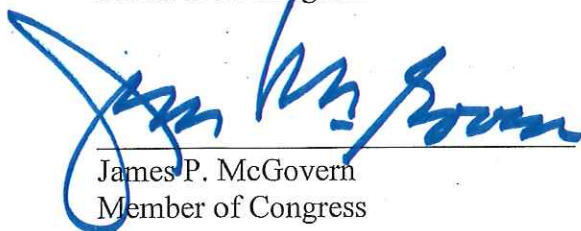
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Member of Congress


<sup>1</sup> “U.S. Commerce chief warns against China semiconductor investment binge.” *Reuters*, November 3, 2016, found at <http://www.reuters.com/article/us-usa-china-trade-semiconductors-idUSKBN12Y0EG>

  
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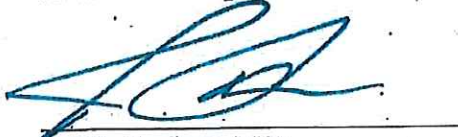
  
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Jackie Speier  
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CC the Committee on Foreign Investment in the United States:

The Honorable Loretta E. Lynch, Attorney General of the United States

The Honorable Jeh Johnson, Secretary of Homeland Security

The Honorable Penny Pritzker, Secretary of Commerce

The Honorable Ashton Carter, Secretary of Defense

The Honorable John Kerry, Secretary of State

The Honorable Ernest Moniz, Secretary of Energy

The Honorable Michael Froman, U.S. Trade Representative

The Honorable John Holdren, Director, White House Office of Science and Technology Policy

The Honorable Shaun Donovan, Director, White House Office of Management and Budget

The Honorable Jason Furman, Chairman, White House Council of Economic Advisers

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