

Government/Authorities Meeting on Semiconductors
Chairman's Summary
San Francisco, California – United States
October 22, 2015

1. The Government/Authorities Meeting on Semiconductors (GAMS) was held on October 22, 2015 in San Francisco, California, and chaired by the United States. Delegations from Chinese Taipei, the European Commission, Japan, Korea, and the United States were in attendance.
2. Based on the Report of the World Semiconductor Council (WSC) meeting held in Hangzhou, China on May 21, 2015, and its recommendations, GAMS discussed a range of issues impacting the global semiconductor industry including the importance of free and open markets, multi-component integrated circuits, transducers, encryption, regional support programs, effective protection of intellectual property, fighting the proliferation of semiconductor counterfeiting, growth initiatives, cooperative approaches to protect the global environment, conflict minerals, worldwide customs and trade facilitation, and other issues of interest to the global semiconductor industry.
3. GAMS members welcomed the landmark **expansion of the Information Technology Agreement** including MCOs in July 2015. GAMS members agree to intensify work with all ITA participants to approve draft ITA schedules prior to the WTO's 10th Ministerial Conference in Nairobi in December 2015. Given the impact and relevance of worldwide trade in MCOs, GAMS members will consider positively the WSC recommendation that ITA participants eliminate tariffs on MCOs with no staging, in line with the language in the ITA Declaration encouraging accelerated implementation.
4. In addition, and in order to facilitate the implementation of ITA expansion, GAMS supports the incorporation of the relevant HS Explanatory Note under HS 8542 as part of the HS 2017 review process. In this regard, GAMS notes the WSC revised proposal sent to the WCO on the HS Explanatory Note on MCOs and appreciates the efforts by industry to take into account the comments expressed by WCO Parties. GAMS also welcomes the future WCO discussions on an amendment of heading HS 8541 with a view to including semiconductor-based transducers in the HS 2022 revision.
5. Noting that the ITA expansion Declaration commits participants to meet periodically to review the product coverage specified in the Attachments, GAMS also invites industry at future meetings to provide regular updates on advances in semiconductor technology with a view to maintaining duty-free treatment on future generations of semiconductors as technology evolves.
6. GAMS congratulates the United States as Chair for hosting a successful 2015 GAMS Seminar on **Encryption** held on the 20th of October 2015, and appreciates the contributions of GAMS

representatives, information security specialists, and industry experts to explore this important topic.

7. GAMS views the seminar as an important step to improving the global regulatory environment for products with encryption based on the WSC Encryption Principles, which emphasize market access, transparency, adoption of voluntary, consensus-based international standards, and non-discriminatory and open procedures and rules. GAMS reiterates its commitment to observe the WSC Encryption Principles and encourage other governments to do so in order to avoid a negative impact on the industry's competitiveness, prevent unnecessary restrictions to trade, and support the widespread diffusion of emerging technologies containing encryption. Discussions during the seminar highlighted efforts by GAMS members to reflect aspects of the WSC principles in their respective systems as well as in the work of relevant international organizations, such as the WTO and the CCRA, and bilateral and regional trade agreements.
8. GAMS Members underscored the importance of meaningful stakeholder participation whenever regulations, administrative procedures, or certification requirements on the importation or use of commercial encryption are created or revised. Also, GAMS members agree that consensus-based international standards adopted through open procedures are the optimal way to achieve rigorously scrutinized and broadly studied cryptographic technology and facilitate trade in line with the WSC principles. GAMS members agree to continue to review specific concerns related to regulatory practices in their regions.
9. GAMS takes note of the WSC's concern that the theft of **trade secrets** is a growing problem, and that present protection through existing means – unfair competition law, employment law, and other branches of law – is often inadequate. GAMS notes that the WSC's "Core Elements for Trade Secret Protection Legislation" includes a number of useful recommendations for national trade secret protection legislation and any related pending legislation or legislative reforms or amendments. In order to support initiatives in this area, GAMS believes that it would be important to better understand the extent of the problem and therefore reiterates its request that the WSC provide a report on examples and cases of trade secrets infringement.
10. GAMS welcomes the continuation and deepening of cooperation between Patent Offices of GAMS parties notably through IP5 (Patent Offices of US, EU, Japan, Korea and China) in order to improve **patent quality**. GAMS also supports the cooperation between the WSC and WIPO on patent quality, and suggests member patent offices (POs) consider sharing the requested patent quality metrics with WIPO on an annual basis in a coordinated fashion.

11. GAMS welcomes the WSC recommendations to address continuing problems caused by abusive patent litigation (including NPEs/PAEs) and welcomes the acceleration of future work. GAMS acknowledges that the subject of abusive patent litigation and its impact is a complex issue. GAMS supports balanced and appropriate initiatives, including where necessary at legislative level, to address litigation in order to help advance innovation and improve patent systems. GAMS encourages further updates from GAMS members regarding domestic developments on this issue and to report at the next GAMS meeting.
12. GAMS acknowledges the long-time industry practice of providing **inventor remuneration** to employees based on contracts in order to incentivize invention and innovation while also enabling reinvestment of commercial value into R&D. GAMS notes the WSC concern that some national patent laws may contain certain inventor remuneration features, which may not encourage companies to locate R&D operations in those countries. GAMS members will consider addressing such issues when reviewing their relevant laws if appropriate.
13. GAMS reconfirms its commitment to **fighting semiconductor counterfeiting**, a global issue that impacts consumer health and safety. GAMS welcomes the WSC's continued commitment to work with GAMS members on anti-counterfeiting work activities, as described in the 2014 WSC Anti-counterfeiting White Paper, and reaffirms the commitment made at the 2014 GAMS session for GAMS members to work with their customs and law enforcement authorities' agencies to intensify the implementation of semiconductor anti-counterfeiting enforcement measures, including information-sharing activities. GAMS also noted the WSC's recommendation to continue to implement appropriate measures (including at domestic, bilateral and multilateral levels) in coordination with industry to stop counterfeits at the borders and appropriately prosecute those who make and distribute counterfeits, and welcomes reports at the next GAMS meeting.
14. Recognizing the importance of **trade facilitation** in achieving free and open markets and reducing barriers to trade, GAMS reaffirms its support for the implementation of the WTO Trade Facilitation Agreement, and further urges all WTO members to act expeditiously to complete their relevant domestic procedures to implement the specific customs and trade provisions in the Agreement. GAMS further supports the adoption of national, regional, and multilateral trade facilitation procedures and related customs regulations that implement the WSC's Trade Facilitation Principles.
15. GAMS welcomes the WSC study identifying different interpretations of the Harmonized System for semiconductor products, and encourages their customs authorities to work to address the discrepancies within the WCO. GAMS welcomes further information from the WSC to facilitate discussions on the most appropriate means to achieve harmonization.

16. Regarding **regional support**, GAMS recognizes that government action should be guided by market-based principles, and that competitiveness of companies and their products, not the intervention of governments and authorities, should be the principal driver of innovation, industrial success, and international trade. GAMS advocates transparency among governments and authorities. GAMS notes the discussion and information sharing within the WSC on regional support issues, especially with reference to the WTO Agreement on Subsidies and Countervailing Measures. GAMS thanks the WSC for the report on regional support programs in the semiconductor sector in each WSC region, and welcomes continued sharing of information and discussion within the WSC.
17. Given the impact on the semiconductor industry, GAMS invites WSC to further study and information exchange on relevant regional support programs and to report additional findings during a workshop at the 2016 GAMS meeting.
18. Also, with regard to regional support, GAMS notes the continuation of discussions in the WSC on regional support issues, including a potential consultation procedure that would be beneficial to the semiconductor industry within the existing GAMS meeting.
19. The GAMS notes the potential of the **Environmental Goods Agreement** (EGA), which was launched in July 2014 and now includes 17 WTO members, including all GAMS members, to include environmental goods that are enabled by semiconductor technology. The GAMS took note of the WSC examples of semiconductor technology used in environmental goods including LED and CFL lighting, solar cells, process control equipment, efficient power supplies, variable frequency drives, electric motors, and inverter motor control technology. In response to the WSC recommendation, GAMS agreed that its members would work with their EGA negotiators to conclude an agreement that covers semiconductor-enabled technologies that promote energy efficiency.
20. With respect to **environment, safety and health issues**, GAMS appreciates the ongoing work by the industry to reduce emissions of potent and persistent greenhouse gases and urge them to provide transparent and objective reporting to stakeholders by making independently verified data publicly available on the WSC website.
21. GAMS also appreciates the industry's efforts to phase out non-critical uses of some chemicals in light of environmental concerns. Noting that some chemicals that are essential to the semiconductor industry may not be suitable for substitution, GAMS members agree to consider the environmental concerns and the needs of the semiconductor industry as they develop voluntary and regulatory approaches to control these chemicals. Where such restrictions on chemicals are deemed necessary and appropriate for the protection of human health and the environment, GAMS members support the WSC recommendation and urge their relevant regulators to provide sufficient notice and consultation as well as time for the industry to identify, qualify, and transition to alternative chemicals as feasible, and consider in accordance with their relevant regulations, to provide exemptions to allow continuation of critical uses of these chemicals in processes and articles, as research and development continues to make the transition to safer alternatives.

22. Recognizing the importance of addressing the issue of **conflict minerals** (tin, tantalum, tungsten, and gold) and acknowledging the substantial effort already made by industry, GAMS agrees to further support international convergence based on OECD guidance as governments and authorities consider additional legislation, regulation, and initiatives promoting smelters and refiners to conduct supply chain due diligence.
23. GAMS takes note of the concerns related to confidentiality of information submitted to tax authorities pursuant to reports recommended by the **OECD in its BEPS project** and invites feedback from the WSC as implementation of BEPS recommendations proceeds.
24. GAMS members noted that the **GAMS Joint Statement** is scheduled for review in 2016, and agreed to identify possible text revisions for discussion at the 2016 GAMS.