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New CPA/CTT Cash Over Country Report Exposes American Companies Profiting From Deals with China's Legacy Semiconductor Industry

Tighter export controls, use of CHIPS Act can halt China's strategy to dominate global market

WASHINGTON — A new report, titled [Cash Over Country](#), co-written by [Coalition for a Prosperous America](#) (CPA) and [China Tech Threat](#) (CTT) details how three leading American semiconductor equipment manufacturers (SEMs)—Applied Materials, KLA and Lam Research—are supporting China's flourishing legacy semiconductor industry at the cost of American national and economic security. The report calls out the U.S. government's failure to act to restrict the rise of China's legacy chip businesses as it instead focuses too narrowly on China's advanced chip sector. To address this, the report recommends a series of offensive and defensive measures to stop China's domination of the legacy chip market.

The report analyzes the "trio" of American SEM companies which succeeded in lobbying the U.S. government to permit them to sell some of the world's most complex technology to Chinese government-aligned firms making legacy chips. Citing public data, the report details how the three companies have grown their combined revenues from China by 103% between 2018 and 2022, and company statements on recent earnings calls indicate that they intend to continue profiting from China.

Dependence on Chinese legacy chips is a threat to American military superiority and the thriving U.S. domestic chip design industry. They are used in millions of devices, including virtually all automobiles, home appliances, and consumer electronics, and they play vital roles in virtually every modern military system. China is highly focused on developing the capability to mass produce legacy chips in support of its strategy to drive down prices to force Western companies out of business and grab a large and dominant share of the global market.

"China's growing production capability in legacy or mature chips will ultimately drive dozens of U.S. chip companies—including manufacturers and chip designers—out of business, as they use the traditional Chinese playbook of subsidies, blatant intellectual property theft, overcapacity, and artificially low prices to dominate the global industry", **said CPA Chief Economist Jeff Ferry**. "The U.S. government and the semiconductor industry need to wake up to the fact that neither free trade nor fair trade is possible with China."

"The U.S. government's neglect in addressing China's domination of the legacy chip market and American SEM companies supporting China's strategy is a dangerous combination for America," said **China Tech Threat Co-Founder Dr. Roslyn Layton**. "Fortunately, we can diffuse this gathering storm with meaningful export controls targeting PRC legacy chipmakers and directing a healthy portion of CHIPS Act funding to restore domestic legacy chip manufacturing, among other policies."

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