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To: Advisory Committee on Supply Chain Competitiveness

From: Scott Talbott, Senior Vice President Government Relations  
Electronics Transactions Association

Date: June 15, 2021

The Electronic Transactions Association (“ETA”) respectfully submits these written comments in the above-referenced matter and requests the ability to attend the virtual meeting of the Advisory Committee on Supply Chain Competitiveness (“Committee”) scheduled from 10:00 a.m. to 4:00 p.m. on June 24, 2021. This request and accompanying comments are submitted in response to the notice published in the *Federal Register* by the International Trade Administration of the U.S. Department of Commerce (“Commerce”) on June 2, 2021,<sup>1</sup> which requires that comments be submitted no later than 5:00 p.m. EST on June 17, 2021, to ensure transmission to the Committee prior to the meeting. Accordingly, these comments are timely.

ETA is the global trade association representing more than 500 payments and technology companies. ETA members make commerce possible by processing approximately \$22.5 trillion annually in purchases worldwide and deploying payments innovation to merchants and consumers.

On April 5, 2021, ETA submitted comments to Commerce regarding risks in the semiconductor manufacturing and advanced supply chain in response to a March 15 Federal Register notice. The comments are attached hereto at **Exhibit A** and incorporated herein by reference.<sup>2</sup>

On April 8, Commerce held a virtual forum to allow participants to address orally the policy objectives listed in the EO noted in the March 15 notice.<sup>3</sup> At that meeting, there were three panels of eight speakers each. Specifically, Brendan Peter from IDEMIA underscored concerns about downstream products, specifically crafting solutions that address both long- and short-term supply issues. Addressing the significant impact the shortage in semiconductors is having on downstream industries was a theme repeated by many speakers, including many on the last panel, *e.g.*, Kevin Messner from the Association of Home Appliance Manufacturers (“AHAM”) and Stephanie Hall from the National Association of Manufacturers (“NAM”). ETA shares these concerns, which are

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<sup>1</sup> *Advisory Committee on Supply Chain Competitiveness: Notice of Public Meetings*, 86 Fed. Reg. 29560 (June 2, 2021) (“**the Notice**”) (noting interested parties may submit written comments to the Advisory Committee on Supply Chain Competitiveness).

<sup>2</sup> *Risks in the Semiconductor Manufacturing and Advanced Supply Chain*, 86 Fed. Reg. 14308 (March 15, 2021) (“**the Notice**”) (seeking public comment and information to assist Commerce in preparing the report required by Executive Order 14017 dated February 24, 2021 (regarding America’s Supply Chains) (“**the EO**”).

<sup>3</sup> *Virtual Forum for Risks in the Semiconductor Manufacturing and Advanced Packaging Supply Chain*, 86 Fed. Reg. 16581 (March 30, 2021) (setting forth the procedures for public participation in the virtual forum).

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echoed in ETA's written comments at Exhibit A. Our members rely on a steady supply of semiconductor chips to power the many devices on which we all rely daily.

Here are some facts about the important role of payments to the economy:

- General purpose credit and debit cards spending is ~47% of NPCE (nominal personal consumption expenditures) in the United States. Consumer spending represents over 2/3 of U.S. gross domestic product.
- U.S. volume for mobile payments hit \$131.36 billion in 2020, and users reached 86.9 million — an 18.9% jump and 31.6% jump, respectively.
- Ecommerce hit \$794.50 billion and comprised 14.4% of total retail sales in 2020.
- Ecommerce surged 32.4% annually — more than double the 2019 annual growth rate.
- U.S. retail ecommerce sales will account for \$1 in \$5 spent on retail by 2024.
- In-store mobile payment app use will hit a milestone in 2021, reaching 101.2 million among Americans ages 14 and older. This comes after 29% year-over-year growth in 2020.
- Mobile payment app usage is now on track to surpass half of all smartphone users by 2024.
- Global mobile payments rose to a historic high of 46% in 2020, up from 40.6% in 2019 and 18.9% in 2018.
- The use of chips (and hence, silicon) is widespread in all general-purpose cards, debit cards, and credit cards in the United States to provide “point of sale” (“POS”) purchases using either the silicon in a chip on the card or the rapid movement to “Tap to Pay” payment forms, which also requires the silicon on chips imbedded in the card.
- If silicon is not available to provide re-issuance of cards (greater than 1/3 of all cards are re-issued each year due to expiration dates) or new cards issued to consumers, this could have a significant impact on consumers' ability to conduct transactions (some large portion of 47% of NPCE).

Additionally, as noted at Exhibit A, for example, POS products are stand-alone products used in the payments industry to facilitate or execute a transaction. Semiconductor chips are essential components that power POS products. POS products are critically important to the U.S. economy. ETA members power the U.S. economy by providing secure and reliable payments technology. In 2019, ETA members processed some \$7 trillion in electronic payments on behalf of our merchant customers in North America. More than 70% of the U.S. GDP is retail spending in the United States, and more than 70% of retail spending is done by consumers via electronic payments. This has only increased with the COVID-19 pandemic. POS products enable U.S. consumers to purchase products securely and cost-effectively. In turn, this helps drive the U.S. economy. For

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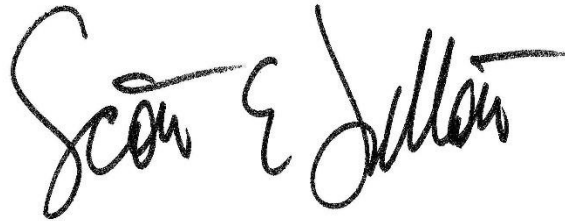
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this reason, the ETA supports a comprehensive U.S. strategy to support the semiconductor industry.<sup>4</sup>

As the Committee considers the topics of supply chain resilience and congestion, trade and competitiveness, freight movement and policy, and other issues critical to a competitive U.S. supply chain, ETA requests respectfully that the Committee pay particularly close attention to issues affecting semiconductor availability and its impact on downstream industries, such as the digital payments industry of ETA's members, all of whom require steady access to reliable and affordable semiconductors.

Please do not hesitate to contact me should you have any questions or requests for clarification.

Respectfully submitted,



Scott Talbott  
Senior Vice President of Government Affairs  
Electronic Transactions Association

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<sup>4</sup> See White House Report, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth*, 100-Day Reviews Under E.O. 14017 at 74 *et. seq.* (June 2021) (listing recommendations), available at: <https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>.

# Exhibit A

**VIA REGULATIONS.GOV****PUBLIC DOCUMENT**

To: Semiconductor Manufacturing Supply Chain

From: Scott Talbott, Senior Vice President Government Relations  
Electronics Transactions Association

Date: April 5, 2021

Re: **BIS-2021-0011**  
**Risks in the Semiconductor Manufacturing and Advanced Supply Chain**

The Electronic Transactions Association (“ETA”) respectfully submits these written comments in the above-referenced matter. These comments are submitted in response to the notice published in the *Federal Register* by the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce (“Commerce”) on March 15, 2021,<sup>1</sup> which requires that comments be submitted no later than April 5, 2021. Accordingly, these comments are timely.

The ETA is the global trade association of the payments technology industry. ETA represents over 500 companies involved in electronic transactions processing products and services. ETA’s membership spans the breadth of the payments industry to include independent sales organizations (“ISOs”), payments networks, financial institutions, transaction processors, mobile payments products and services, payments technologies, and software providers (“ISV”) and hardware suppliers. Our comments follow:

***(vi) Potential impact of the failure to sustain or develop elements of the semiconductor supply chain in the United State on other key downstream capabilities***

Our members rely on a steady supply of semiconductor chips to power the many devices on which we all rely daily. For example, Point-of-Sale (“POS”) products are standalone products used in the payments industry to facilitate or execute a transaction. Semiconductor chips are essential components that power POS products.

BIS’s request comes when our members—and those in other downstream industries<sup>2</sup>—are experiencing a global semiconductor shortage. These chips are essential components to a myriad

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<sup>1</sup> *Risks in the Semiconductor Manufacturing and Advanced Supply Chain*, 86 Fed. Reg. 14308 (March 15, 2021) (“**the Notice**”) (seeking public comment and information to assist Commerce in preparing the report required by Executive Order 14017 dated February 24, 2021 (regarding America’s Supply Chains) (“**the EO**”).

<sup>2</sup> See, e.g., William Boston, et. al. “How Car Makers Collided With a Global Chip Shortage,” *The Wall Street Journal* (Feb. 12, 2021), available at [https://www.wsj.com/articles/car-chip-shortage-ford-vw-gm-11613152294?mod=searchresults\\_pos20&page=1](https://www.wsj.com/articles/car-chip-shortage-ford-vw-gm-11613152294?mod=searchresults_pos20&page=1) (last accessed March 30, 2021) (global semiconductor supply chain issues causing a chip shortage and production difficulties for automakers whose products relying increasingly on semiconductors).

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of critical downstream products. This shortage is causing the delays experienced across many downstream industries.

Roughly a year ago, however, BIS published several notices in the *Federal Register*.<sup>3</sup> At the time, it was anticipated that the rules would have the largest impact on semiconductor industry equipment manufacturers, *i.e.*, by imposing additional license requirements to supply Chinese foundries supplying integrated circuits to the People’s Liberation Army (“**PLA**”) or targeting semiconductor component manufacturers (*e.g.*, for high performance computers, switches, *etc.*). It was also anticipated that there would be a trickle-down effect to supply chains where there were no alternative U.S. suppliers.

***(vii) Policy recommendations or suggested executive, legislative, regulatory changes, or actions to ensure a resilient supply chain for semiconductors***

The ETA echoes the comments of others who support and encourage the policy objectives listed in the EO.<sup>4</sup> But in moving towards a policy that creates a resilient and secure supply chain for semiconductors,<sup>5</sup> the ETA requests respectfully that BIS take into consideration the impact that its policies are having on downstream producers who require steady access to reliable semiconductors. Accordingly, while not detracting from the laudable goals of strengthening the resilience of America’s semiconductor supply chain, the ETA suggests that BIS take into consideration how its policies are impacting the availability of semiconductors as the United States makes this transition and what impact, if any, this has on downstream industries, the duration of any such impact, how to quantify any such impact (*e.g.*, the impact on the availability of downstream products, the economic costs to downstream producers, *etc.*), and how to mitigate any impact on downstream manufacturers and ultimately U.S. consumers that rely on such products.

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<sup>3</sup> *Expansion of Export, Reexport, and Transfer (in-Country) Controls for Military End Use or Military End Users in the People’s Republic of China, Russia, or Venezuela*, 85 Fed. Reg. 23459 (April 28, 2020) (“Expansion of License Requirements”) (expanding the licensing requirements for China to include “military end users” in addition to “military end use,” broadening the list of items for which the licensing requirements and review policy apply); *Elimination of License Exception Civil End Users (CIV)*, 85 Fed. Reg. 23470 (April 28, 2020) (“Removing License Exception CIV”) (requiring a license for national security-controlled items on the Commerce Control List (“**CCL**”) to countries of national security concern, allowing U.S. government review prior to export, reexport or transfer). *See also*, *Modification of License Exception Additional Permissive Reexports (APR)*, 85 Fed. Reg. 23496 (April 28, 2020) (“Modify License Exception APR”) (collectively, the “**Notices**”) (proposed rule removing provisions that authorize reexports of certain national security-controlled items on the CCL).

<sup>4</sup> *See, e.g.*, Comments from Integrated Biometrics dated March 17, 2021, available at <https://www.regulations.gov/comment/BIS-2021-0011-0004> (last accessed March 30, 2021).

<sup>5</sup> The EO at Section 1 (“The United States needs resilient, diverse, and secure supply chains to ensure our economic prosperity and national security.”).