



## **H.R. 8414, the Semiconductor Supply Chain Security and Diversification Act**

**Summary and Objective:** H.R. 8414 directs the Development Finance Corporation to invest in “downstream” (critical mineral mining and processing) and “upstream” (testing and packaging) parts of the semiconductor supply chain in the Western Hemisphere, regardless of the host-country’s income classification. This will diversify the semiconductor supply chain, develop stable jobs in Latin America, and complement investments made by the *CHIPS and Science Act* by creating a regional semiconductor ecosystem.

**Background:** The Development Finance Corporation (DFC) was created in 2018 to counter investments made through China’s Belt and Road Initiative. DFC is a U.S. development agency that invests in privately-led development projects through loans, loan guarantees, direct equity investments, feasibility studies, and more. It primarily invests in low and middle-income countries. This excludes many Latin American countries that could use development assistance but are classified as upper-middle or high-income countries.

DFC’s authority was expanded through the *European Energy Security and Diversification Act of 2019*, which allowed DFC to support energy-related investments in Eastern Europe no matter their income classification. In a House Foreign Affairs Hearing on May 7, 2024, the CEO of DFC characterized this expanded mandate as “successful” in addressing national security concerns.

### **Why this is important:**

- **National Security and Countering China:** while the CHIPS and Science Act is growing semiconductor manufacturing capacity in the U.S., downstream and upstream parts of the supply chain are still concentrated in China. This bill would help to diversify those parts of the supply chain away from China.
- **Helping Business:** semiconductor companies are clamoring for an ecosystem to amplify their US investments. This bill would jumpstart investment to create a regional ecosystem that takes advantage of:
  - Regional Resources – critical minerals throughout the Western Hemisphere are used in semiconductors, including: zinc, gallium, and germanium in Peru; silicon in Brazil; and lithium in Argentina, Bolivia, and Chile.
  - Shared Land Border – the land border means that goods can flow more easily and more quickly than if coming from overseas. These quicker transportation times mean that U.S. companies can order parts when needed, rather than paying to store them.
  - Similar time zones – closer time zones means easier inter-country collaboration.
- **Addressing migration:** many migrants come to the U.S. because of the lack of economic opportunity in their home country. This bill would fulfill DFC’s development and national security missions by supporting stable, necessary jobs in Latin American countries--that aren’t currently eligible for DFC investment,—thereby helping people to stay in their home country.