

May 7, 2025

Hon. Howard W. Lutnick
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

Hon. Jeffrey Kessler
Under Secretary of Commerce for Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

**RE: Section 232 Investigation of Imports of Semiconductors and
Semiconductor Manufacturing Equipment (Docket XRIN 0694-XC121)**

Dear Secretary Lutnick and Under Secretary Kessler:

The undersigned associations write to express our collective support for the Trump Administration's commitment to increasing semiconductor manufacturing capacity within the United States. Semiconductors are a cornerstone of U.S. innovation and economic growth. Enhancing domestic production of semiconductors is vital to national security, economic competitiveness, and technology leadership in the global market. To this end, we welcome the opportunity to respond to the Federal Register Notice from April 16, 2025, ("Notice") announcing a Section 232 investigation to determine whether semiconductors and semiconductor manufacturing equipment (SME) imports affect U.S. national security.

While we welcome the Department's role in exploring this issue, we have significant concerns regarding the potential imposition of tariffs on imports of semiconductors into the United States and downstream products within the electronics supply chain that contain semiconductors. Currently, the United States does not have sufficient leading-edge or legacy chip manufacturing capacity to meet the high demand across our economy. For some market sectors, the capacity of the United States to produce certain microelectronics, subcomponents, and components, including semiconductors, is even more limited.

If, upon conclusion of the investigation, the Administration decides to impose tariffs on all imports of semiconductors, SME, microelectronics, or SME components – including from U.S. allies and free trade agreement partners – costs will rise exponentially for U.S. businesses of all sizes and these products will become scarcer. While we support the goal of increasing domestic production of these critical components, at this time, we

oppose tariffs on imports of semiconductors and derivative products as the proposal defines them. As noted above, domestic semiconductor manufacturing capacity is insufficient to meet current manufacturer and consumer needs.

Thus, tariffs now will possibly result in decreased product availability and delays in providing consumers with the products they rely on. In addition, should very high-volume commercial customers source again from U.S. foundries, this could, in the near term, crowd out capacity for ITAR, 600 series, and other critical national security-related components, creating long lead times and higher costs for U.S. military applications. We also note that building foundries takes many years. Foundries are only one part of the semiconductor ecosystem; substrate production, packaging, and test capability are extremely limited in the United States.

Further, we are concerned that the investigation is also focusing on imports of derivative products. The Notice indicates that “derivative products” include “downstream products that contain semiconductors, such as those that make up the electronics supply chain.” Such an expansive scope would sweep in every import that contains electronics, which will have implications for companies across every sector of our economy. This could impact well over \$1 trillion in imports. The Notice is unclear whether Commerce is only concerned about semiconductors in the downstream electronics products, or those products themselves.

However, the concern of the industry is not just relegated to cost. The administrative and compliance burden for electronics manufacturers would be enormous, adding to the complexity of other tariffs recently announced or under consideration that require isolating specific content. Such expectations do not appropriately appreciate the complexity of electronics supply chains, and the electronics products produced. U.S. companies, especially startups and small businesses, operate with limited resources and would struggle to navigate the intricate requirements of tariff compliance. The administrative burden and tariff payments could stifle innovation, growth, and hiring, affecting our nation’s technological advancement.

We, therefore, question why imposing tariffs on every product in the electronics supply chain is necessary. Most of these products are irrelevant to national security or strategic industrial priorities and are geared toward consumers and businesses in the commercial marketplace. Imposing tariffs on these items could inadvertently disrupt supply chains and increase costs during a period of heightened concern about inflation and new tariffs imposed by the Administration.

The complexity of imposing tariffs on semiconductors and all electronics imported into the United States cannot be understated. Such measures could lead to a counterintuitive outcome: U.S. manufacturing moving offshore to avoid higher input costs and greater administrative burden. To remain globally competitive, many

manufacturers will likely need to create two manufacturing supply chains: one based in the United States to serve their U.S customers and one outside the United States to serve their international customers, who will demand access to affordable inputs not subject to tariffs. This would contradict the objective of fostering domestic capacity and, instead, segment the United States from the global market, ultimately weakening our economic stability. The higher cost structure of dual manufacturing supply chains reduces the resources available to invest in the research and development that U.S. manufacturers need to remain competitive and create the leading-edge technology essential to national security.

Importantly, administering and complying with multiple tariff regimes (e.g., through other Section 232 measures on critical minerals and their derivatives or measures under Section 301 of the Trade Act of 1974 on legacy chips produced in China) would pose substantial challenges for both the U.S. government and industry. U.S. Customs and Border Protection (CBP) is struggling to implement the tariffs the Administration has already imposed. Additional tariffs of a potentially even more complex nature under Section 232 would further strain CBP's scarce resources.

We urge Commerce to consider these implications carefully. While we unequivocally support strengthening domestic semiconductor manufacturing, we believe that imposing broad tariffs on downstream products is not the solution. We advocate for policies that promote growth without inadvertently creating barriers that could lead to unintended consequences.

Thank you for your attention to this matter. We look forward to continued dialogue and collaboration to ensure the U.S. remains at the forefront of semiconductor innovation and manufacturing.

Sincerely,

ACT | The App Association

Alliance for Automotive Innovation

Autos Drive America

Coalition of Services Industries (CSI)

Computer & Communications Industry Association (CCIA)

Consumer Technology Association (CTA)

Entertainment Software Association (ESA)

IPC – Build Electronics Better

National Electrical Manufacturers Association (NEMA)

National Retail Federation (NRF)

PRINTING United Alliance

Software & Information Industry Association (SIIA)

Technology Trade Regulation Alliance (TTRA)

Telecommunications Industry Association (TIA)

World Innovation, Technology and Services Alliance (WITSA)