

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

Amb. Jamieson Greer
United States Trade Representative
Office of the U.S. Trade Representative
600 17th St. NW
Washington DC, 20508

**RE: Section 232 Investigation of Imports of Semiconductors and
Semiconductor Manufacturing Equipment (91 FR 2443)**

Dear Secretary Lutnick and Ambassador Greer:

The undersigned associations support efforts to strengthen U.S. semiconductor manufacturing capacity. Semiconductors underpin U.S. innovation, economic growth, and national security. Policies that reinforce a resilient, competitive, and globally integrated domestic ecosystem are essential to maintaining U.S. leadership. However, tariffs on semiconductors and semiconductor-containing products will risk undermining rather than advancing this shared objective. We respectfully request that the Administration refrain from imposing tariffs on semiconductors and downstream consumer and commercial technology products.

The President's January 14, 2026, Proclamation, "Adjusting Imports of Semiconductors, Semiconductor Manufacturing Equipment, and Their Derivative Products into the United States" ("Proclamation") directs the Administration to conduct negotiations aimed at addressing the identified national security risks associated with imports of these products. It further states that, depending on the outcome of these negotiations, the President "may consider imposing significant tariffs" on these products. While this letter focuses primarily on the anticipated impact of semiconductor tariffs on consumer technology products, we note that these same concerns apply with equal force across many sectors critical to U.S. technology leadership. We urge the Administration to engage closely with all affected stakeholders. We outline below our concerns about the potential application of tariffs to semiconductors and downstream products across the electronics supply chain.

I. Effects of Tariffs on Technology Products

Smartphones, laptops, tablets, smartwatches, connected devices, vehicles, and servers are everyday tools that families and businesses across the country depend on to work, learn, communicate, and access healthcare. Because semiconductors are embedded in nearly all modern technology products, tariffs on downstream products, including used and previously-owned goods, would raise costs for consumers and U.S. businesses, adding to inflationary pressures already straining households and supply chains.

Tariffs would be especially disruptive at a time when both the supply and price of semiconductors available to the U.S. economy are experiencing historical constraints. Memory chip shortages and the related surge in memory prices have already resulted in widely reported increases in the price of consumer products, as well as delays or deferrals in new product launches. Tariffs on semiconductors and derivative products would worsen market conditions, limiting technology choice for American consumers and businesses. They would also slow the deployment of next-generation digital infrastructure and undermine U.S. leadership in artificial intelligence and other strategic technologies.

Broad semiconductor tariffs would also function as a tax on American companies of all sizes that are building the next generation of American consumer technology. The consumer technology ecosystem includes both well-known global brands and thousands of small and mid-sized firms that design, build, and sell innovative products, from IoT devices and smart home technology to health monitoring tools and educational platforms. These companies operate on thin margins and depend on affordable access to semiconductors and components. Small and mid-sized firms do not have the scale or cushion required to absorb or negotiate around tariff costs. These effects would reverberate upstream by dampening demand for software, services, semiconductors, and complementary investments that depend on a healthy downstream technology market.

Consumer devices are the primary interface through which Americans access AI-powered tools. AI only delivers on its promise when people can actually use it – and tariffs that price consumers out of the device market would slow AI adoption at the very moment the United States is positioned to lead. Making devices less accessible to students, educators, and businesses would undermine this Administration's AI education, workforce and adoption objectives while competitors race ahead.

II. Effects of Tariffs on the U.S. Manufacturing and AI Ecosystem

Broad tariffs on downstream products and semiconductors would raise input costs across the U.S. manufacturing and AI ecosystem, limiting U.S. investment, constraining R&D, and weakening U.S. competitiveness. Tariffs on semiconductors and derivative products relevant to data centers and communications infrastructure, such as servers and server racks, would increase the cost of building the digital infrastructure needed in the United States to scale AI globally and handle the growing demands of AI enabled services. A higher-cost technology environment during the U.S. AI buildout would threaten the success of the Administration's AI Action Plan. Higher prices for devices would limit access for consumers to AI tools, slowing AI adoption by Americans. Together, these effects would harm U.S. technology leadership and AI dominance. They would also increase the cost of scaling cloud capacity, enterprise modernization, and secure digital services that businesses and public-sector entities rely on every day.

Investment in U.S. chipmaking capacity is at a historic high. U.S. fabs are oversubscribed, and the U.S. maintains a position of dominance in many, if not most of the segments of the semiconductor ecosystem. Imposing tariffs on chip-consuming industries only risks broad economic harm to these vital industries, while offering limited national security or domestic manufacturing benefits. Policy measures that expand domestic capacity, accelerate permitting and infrastructure deployment, support advanced packaging and workforce development, and strengthen trusted supply chains would better advance U.S. resilience without imposing economy-wide costs on downstream innovation.

III. Administrative Burden

Layering new Section 232 tariffs on downstream semiconductor-containing products would add complexity, strain compliance capacity, and be difficult to administer – particularly for startups and small businesses. Finished-product importers and customs brokers classify goods based on the imported article, not each embedded semiconductor. For many downstream technology products, importers do not have entry-ready access to chip-level bills of material, semiconductor origin, component value, wafer fabrication location, assembly/test location, or substitution history. Companies often hold that information several tiers upstream. It may change during production and may be proprietary.

A tariff framework that depends on this data would create significant operational uncertainty across the import process, including supplier certifications, valuation, country-of-origin analysis, and post-entry corrections. Any downstream tariff framework should therefore be limited to clear, HTS-defined product coverage and be

administrable using information importers reasonably possess at the time of entry to provide certainty for long-term procurement, product planning, and infrastructure investment decisions, particularly where hardware lifecycles and capital commitments are measured in years.

IV. Recommendations

As the Administration considers next steps, we recommend that it:

- Avoid tariffs on semiconductors and their derivative products, particularly downstream goods used by consumers, businesses, and public-sector entities;
- Ensure that the electronics exclusions established in the April 11, 2025, Presidential Memorandum are carried forward into the Section 232 framework; and
- Develop a plurilateral framework with trusted trading partners to strengthen semiconductor supply chain resilience and reduce trade barriers among allied economies.

If the Administration ultimately decides to impose tariffs as a result of this investigation, it should apply them in a nuanced and targeted way. In specific, it should:

- Refrain from applying tariffs to full HTS categories that capture products with minimal semiconductor content or products whose semiconductor inputs are incidental to their principal use;
- Establish a de minimis threshold (e.g., by weight or value) to exclude products with minimal semiconductor content and provide clear guidance that can be operationalized across complex supply chains;
- Ensure that any tariffs imposed pursuant to this Section 232 investigation are subject to the non-stacking provisions set forth in Executive Order 14289, such that semiconductor and derivative products are not subject to multiple overlapping tariff measures;
- Consider targeted relief mechanisms, including duty drawback or comparable offsets, for downstream products incorporating semiconductors – particularly where such products support exports, domestic infrastructure deployment, or strategic technology adoption;
- Account for the large compliance and administrative burdens associated with downstream tariffs, including for secondhand products;
- Ensure any tariff offset program is transparent, technology-neutral, and accounts for the contributions of companies making significant investments in the U.S. semiconductor and downstream innovation ecosystem, including large U.S. off-

takers and those that make significant investments in the U.S. using derivative products; and

- Account for the broader technological ecosystem and the increased costs consumer electronics are already experiencing due to the surge in memory prices and related shortages; and
- Evaluate the broader economic and supply chain effects, including impacts on consumer purchasing power, inflation and affordability, product availability, and the impacts on U.S. business competitiveness and innovation leadership, including in AI, 6G, quantum computing, and other technology priorities.

Thank you for your consideration. We look forward to continued engagement to ensure the United States remains at the forefront of semiconductor innovation and manufacturing while preserving the ability of downstream technology industries to invest, build, and compete globally.

Sincerely,

Association for Competitive Technology (ACT)

Alliance for Automotive Innovation

Autos Drive America

CEDIA

Consumer Technology Association

Computer & Communications Industry Association

Coalition of Services Industries

Entertainment Software Association

MEMA. The Vehicle Suppliers Association

National Association of Music Merchants

National Electrical Manufacturers Association

National Foreign Trade Council

National Retail Federation

Printing United Alliance

Retail Industry Leaders Association

Small Business & Entrepreneurship Council

Software Information Industry Association

Technology Trade Regulation Alliance

World Innovation Technology & Services Alliance

CC:

Secretary of the Treasury Scott Bessent

Director of the National Economic Council Kevin Hassett