



February 5, 2025

Mr. Juan Millan
Acting United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Preliminary Comments of the Consumer Technology Association on the Section 301 Investigation into China's Acts, Policies and Practices Related to Targeting of the Semiconductor Industry for Dominance, Docket No. USTR-2024-0024

Dear Mr. Millan:

The Consumer Technology Association (“CTA”) welcomes the opportunity to provide comments to the Office of the U.S. Trade Representative (“USTR”) to respond to its *Federal Register* notice requesting comments on China’s acts, policies, and procedures related targeting of the semiconductor industry for dominance and whether they are actionable under the Trade Act of 1974.

CTA represents the more than \$505 billion U.S. consumer technology industry, which supports more than 18 million U.S. jobs. Our members are comprised of over 1200 companies from every facet of the consumer technology industry, including manufacturers, distributors, developers, retailers, and integrators, with 80 percent of CTA members being start-ups or small and mid-sized companies.

CTA also owns and produces CES®—the most influential technology event in the world—which showcases and serves as a forum for discussion of international policies concerning existing and new technologies, international technology trade and investment, and global opportunities and challenges facing the consumer technology industry. Over 141,000 people attended CES 2025, including over 50,000 from outside the United States. Companies from across the world demonstrated innovative new products for the consumer marketplace, many of which contain one or more semiconductors.

Given this fact, CTA appreciates USTR’s solicitation of public comments on this topic. However, the initiation of this investigation during a holiday period and amid an executive branch transition has in practice resulted in short and challenging timeframe for stakeholders to prepare submissions.

Taking these factors into consideration, this comment provides a high-level overview of key considerations that CTA will address in a more fulsome submission following the public hearing in March. CTA will also plan to request to appear in that hearing to further expand on these points. In the meantime, we are soliciting further views from our members so that we can prepare a detailed and thoughtful response that is most informative for USTR and the interagency.



At the outset, CTA agrees that China has enacted numerous non-market policies and practices that pose disruptive barriers to trade and unfairly manipulate the competitive landscape, including relating to semiconductors. CTA also agrees that identifying and investigating those policies and their effects on trade are important activities for USTR to undertake. We strongly encourage the Trump Administration to consider this Section 301 investigation in the context of a full review of the prior administration's policy actions and its new review of unfair trading practices, consistent with the American First Trade Policy memorandum from January 20, 2025,¹ and the related USTR announcement from January 24.²

However, in conducting this investigation and analyzing any responsive action, CTA urges USTR to be mindful of the limitations and consequences of unilateral action. First, inflation continues to undermine the potential of the U.S. economy and increase costs for U.S. businesses and workers. CTA supports the Administration's goals of addressing inflation and making products more affordable for U.S. consumers. If the Administration decides to act against China's quest for dominance in the legacy chip manufacturing ecosystem, it must balance any remedies with an appreciation that some, such as tariffs, may increase the costs of technology products and inputs sold in the United States, which would undermine its goal of reducing inflation.

Second, the Administration should also recognize that legacy-technology semiconductors are an important input for consumer technology products and therefore the global economy. Many stakeholders thus have interests in ensuring continued competition in that sector, recognizing that subsidies and other distortive non-market policies in China have undermined such competition. Pursuing unilateral action through a Section 301 investigation could drive a wedge between otherwise aligned stakeholders, with the side effect of harming the very U.S. industry and downstream users that the action would aim to protect. USTR's primary focus in its investigation should be on the production of legacy chips in China. USTR's secondary focus should be on investigating the incorporation of PRC legacy chips into downstream products, potentially in third countries, which may be beyond the scope of USTR's capabilities under Section 301.

If USTR's investigation finds that China's acts, practices, and policies are actionable under Section 301, USTR should consider a wide range of potential remedies and avoid focusing exclusively on tariffs as a remedy. As CTA's past comments to USTR have indicated³, tariffs alone are ineffective at eliminating the problematic acts, policies and practices – this much has been obvious over the six-year duration of the existing Section 301 action against China. USTR's previous Section 301 tariff actions have contributed to increased prices for U.S. consumers on the technology products that enable their daily lives. Simultaneously, it has

¹ <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>

² <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2025/january/ustr-announces-review-unfair-foreign-trade-practices>

³ <https://cdn.cta.tech/cta/media/media/pdfs/final-cta-comments-to-ustr-for-four-year-review-of-china-section-301-tariffs-20230117.pdf>

⁴ <https://cdn.cta.tech/cta/media/media/pdfs/cta-final-comments-to-ustr-on-china-section-301-tariff-rate-increases-and-exclusion-process-20240628.pdf>



decreased the competitiveness of the U.S. consumer technology sector, particularly the thousands of startups and small businesses whose innovative products will shape our lives tomorrow.

USTR should especially avoid imposing tariffs on the PRC legacy chips incorporated in finished goods imported into the United States. Such tariffs would be administratively infeasible and the compliance burden for U.S. companies would be extraordinarily burdensome and expensive. U.S. importers facing higher costs due to tariffs on the PRC legacy chips, as opposed to the finished goods, will very likely pass them on through the supply chain and ultimately to the consumer, which would increase inflationary pressures. We also believe that seeking to tariff inputs in finished goods will create enormous operational, enforceability, and resource challenges for U.S. Customs and Border Protection (CBP), a critical U.S. agency already struggling with resource constraints.

Rather than implement tariffs, we encourage USTR to pursue remedies that are aligned with existing Entity Lists and actions from Section 5949 of the 2023 National Defense Authorization Act (NDAA), focusing on Chinese foundries instead of end products for ease of compliance.

More, the U.S. government should instead seek negotiations directly with China regarding its concerns. Over the past few years, due to direct and consistent U.S. government engagement at both a political and tactical level, China has made some strides in revising policies that have harmed U.S. and other global businesses. If USTR finds China's legacy chips practices to be actionable, USTR could opt to remove certain benefits extended to China under the Phase One deal. Alternatively, potential negotiations towards Phase Two or through the existing Commercial Issues Working Group would enable government-to-government discussions without collateral damage to the U.S. or global economy.

CTA is also a firm believer that a multi-geography "team approach" is best suited to counter non-market policies and practices. Acting with the support of and coordinating measures with U.S. allies and trading partners is a force multiplier when confronting such challenges. Without engaging others, unilateral efforts by the United States to change China's policies, shift supply chains, and promote their resilience in this sector will be futile. Rather than imposing trade-restrictive measures that force higher burdens on U.S. companies, USTR's focus should be on leading a whole of government approach and engaging stakeholders in like-minded countries to address the challenges posed by China.

Part of this approach should also include working with industry and U.S. allies to support the competitiveness and resilience of the semiconductor sector and related supply chains, including through support for increasing domestic production capacity for legacy chips. Instead of increasing duties on chips from China, USTR could consider lowering duties on chips imported from our allies.

Similarly, USTR could negotiate sectoral trade agreements that focus on the semiconductor industry and capacity-building in the sector in both the United States and in our allies. Expanding the availability of sources and supply of legacy chips will afford consumer technology firms more options for the components they design and incorporate into their



products and will achieve broader U.S objectives in a much more desirable and less costly way than applying tariffs.

Finally, we remind USTR that this Section 301 investigation would not be an appropriate tool to implement tariffs on *all* chips, as Section 301 does not appear to give the USTR unlimited discretion to act, particularly against third countries not investigated. USTR's actions must specifically relate to China its acts, practices, and policies on legacy semiconductors.

As noted above, CTA will follow up with more detailed comments at the public hearing and in the post-hearing written comments.

Sincerely,

Ed Brzytwa
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Consumer Technology Association

Michael Petricone
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Consumer Technology Association