January 10, 2020

The Honorable Robert Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington DC 20508

Re: Notice of Review of Action and Request for Comments Concerning Action Pursuant to Section 301: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute (84 FR 67992)

Dear Ambassador Lighthizer:

SEMI appreciates the opportunity to submit public comments regarding a potential tariff action in the Section 301 investigation involving enforcement of U.S. World Trade Organization (WTO) rights in the Large Civil Aircraft dispute. SEMI shares the administration’s concerns about subsidies that create distortions in global markets and barriers to fair competition, and SEMI supports the administration’s efforts to ensure that our trading partners comply with decisions of the WTO. SEMI is concerned, however, that maintaining or imposing additional ad valorem duties of up to 100 percent on the listed European Union (EU) products in Annex I and II of the December 12, 2019, Federal Register notice will not achieve the administration’s objectives in the dispute, and, indeed, will prove injurious to SEMI members, their employees and their customers.

Established in 1970, SEMI is the leading global industry association that works to advance the technology and business of the electronics manufacturing supply chain. SEMI has more than 2,100 members worldwide, and represents the full range of U.S. semiconductor companies, including designers, equipment makers, materials producers, and subcomponent suppliers. SEMI member companies are the foundation of the $1.5 trillion electronics industry, and more than 85 percent of SEMI members are small businesses. This vital supply chain accounts for 350,000 high-skill and high-wage jobs across the United States.

The electronics manufacturing supply chain relies on a variety of products derived from diverse inputs, including chemicals, containers for liquefied gas, precious metals, laboratory glassware, and fabrication tools. Many of these inputs are substantially obtained via trade with the EU. Annex I of the Federal Register notice contains products currently subject to tariffs that are used directly in semiconductor manufacturing processes, in particular pliers, pincers and other tools. Annex II contains products, originally published in the April 2019 and July 2019 notices in this investigation, under consideration for the imposition of additional ad valorem duties of up to 100 percent that would impose significant new costs throughout the electronics manufacturing supply chain.
The extension of Annex I tariffs, and an imposition of new levies on Article II products would have a significant financial impact on U.S. companies and consumers that will not only constrain manufacturing growth within the semiconductor industry but also increase the possibility of U.S. job losses. If this proposed action is implemented, SEMI believes that it will materially diminish the international competitiveness of semiconductor materials companies operating in the U.S. While larger, multinational companies may have the ability to shift operations globally to avoid additional tariffs, smaller companies, which make up a majority of the electronics supply chain and much of SEMI’s membership, often do not have the same ability and ultimately cannot compete with increased duty costs.

The semiconductor industry was created largely in the United States, and trade has ensured that the United States has remained a global leader in manufacturing technology. By allowing companies to better tap into foreign markets, trade has enabled greater research and development (R&D), which fuels innovation and growth. SEMI members, on average, spend up to 15 percent of their revenues, or more than $20 billion in nominal terms, on R&D annually, to consistently produce important technological innovations. U.S. leadership in the electronics manufacturing supply chain is directly tied to global trade flows, and these tariffs could stifle innovation, increase costs, curb U.S. investment, and ultimately drive this advanced manufacturing out of the United States.

There is no evidence that European companies are engaging in predatory pricing or other inappropriate trade activities related to the global semiconductor supply chain and electronics industry. Furthermore, there is no direct linkage between tariffs on the electronics sector and the aircraft industry nor the particular issue adjudicated by the WTO. Imposing tariffs on imports from the EU that fall under the highlighted HTS codes will harm U.S. manufacturing, are unlikely to have any impact on EU aircraft subsidy policy and are likely to impact negatively U.S. industrial competitiveness.

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1 HTS 8203.20.60 - Pliers (including cutting pliers but not slip joint pliers), pincers and similar tools.

2 HTS 2814.20.00 - Ammonia in aqueous solution; HTS 3102.10.00 - Urea, whether or not in aqueous solution. 3102.21.00 - Ammonium sulfate; HTS 7017.10.60 - Laboratory, hygienic or pharmaceutical glassware, whether or not calibrated or graduated, of fused quartz or other fused silica, nesoi; HTS 7115.90.60 - Articles of precious metal (other than gold or silver), including metal clad with precious metal, nesoi; HTS code 7311.00.00 (Iron/steel, containers for compressed or liquefied gas)