Impact of Section 301 Tariffs on the U.S. Semiconductor Industry

November 27, 2018
Falan Yinug, Director of Industry Statistics and Economic Policy

www.semiconductors.org
Importance of U.S. semiconductor industry

- **BRAINS OF MODERN ELECTRONICS**, strategic to America’s innovation infrastructure
- **About HALF OF GLOBAL MARKET** share with sales of more than **$189 BILLION**
- Invests about **ONE-FIFTH OF REVENUE** in R&D, among the highest of any industry, concentrated in the U.S.
- Among the world’s **MOST ADVANCED MANUFACTURERS**, with nearly **HALF** of U.S. companies’ manufacturing base in the U.S. across **19 STATES**
- America’s **#4 EXPORT** after airplanes, refined oil, and automobiles
- In 2017, the United States exported **$44 BILLION** in semiconductors and maintained a consistent trade surplus in semiconductors

In 2017, the United States exported **$44 BILLION** in semiconductors and maintained a consistent trade surplus in semiconductors.
Importance of free and open markets to the U.S. semiconductor industry
US-China semiconductor trade

U.S. semiconductor industry has 51% of China market sales totaling $66.4 billion

- U.S. total exports of semiconductors are $44 billion, of which $6 billion go to China directly

- Due to global supply chains and prominence of fabless business model, most U.S. semis are not sold or shipped directly to China

- For example, top US semiconductor exports go to leading assembly/packaging locations like Mexico, Malaysia, and Taiwan.

---

Top U.S. Semiconductor Export Destinations

- Mexico: 8
- China: 6
- Hong Kong: 5
- Malaysia: 4
- Taiwan: 4
- Korea: 3

Source: World Semiconductor Trade Statistics (WSTS) and SIA Estimates.
Section 301 Investigation initiated. USTR solicits comments and holds a hearing.

Proposed $50 billion tariff list released. China issues $50 billion retaliatory list. Trump threatens an additional $100 billion in tariffs.

SIA submits comments to USTR FRN on $50 B list seeking removal of 28 product lines. USTR holds hearing on May 15.

USTR will release final $50 billion list, with tariffs imposed “shortly thereafter”.

WH will announce investment restrictions and enhanced export controls on “industrially significant technology”.

Section 301 Investigation Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>March</td>
<td>Presidential 301 Memo published summarizing 301 report findings, requires USTR, Treasury to review remedies</td>
</tr>
<tr>
<td>2018</td>
<td>April</td>
<td>Proposed $50 billion tariff list released. China issues $50 billion retaliatory list. Trump threatens an additional $100 billion in tariffs</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>SIA submits comments to USTR FRN on $50 B list seeking removal of 28 product lines. USTR holds hearing on May 15</td>
</tr>
<tr>
<td></td>
<td>June 15,</td>
<td>USTR will release final $50 billion list, with tariffs imposed “shortly thereafter”</td>
</tr>
<tr>
<td></td>
<td>June 30</td>
<td>WH will announce investment restrictions and enhanced export controls on “industrially significant technology”</td>
</tr>
</tbody>
</table>
China Section 301 Investigation Timeline (cont.)

USTR releases 2 lists: $34 B “List 1” that includes HS8541 & 28 SIA priority lines, & $16 B “List 2” that includes HS 8542, 8541, 8486 lines. China releases retaliatory tariff lists on $50 B in U.S. imports.

July 6: Tariffs on $34 B “List 1” go into effect, as does China’s retaliatory tariffs on $34 B. On July 10, USTR releases $200 B “List 3,” subject to 10% duty, including printed circuit assemblies.

SIA submits comments to USTR on $16 B List, and testifies at hearing on July 25. 49 House members send letter to USTR calling for removal of semiconductors from $16 B List.

August 2018

USTR raises $200 B List tariffs to 25%. China retaliates with $60 B List, including semis under HS8541. $16 B List tariffs go into effect on August 23. SIA testifies on $200 B List at hearing on Aug 24.

Sept 6: SIA submits comments on $200 B Final list and implementation of tariffs expected by end of Sept. Trump announces $267 B ”ready to go”. SIA engages IDC on consumer impact study. Joins coalition “Americans for Free Trade”.

October 2018

Deadline to file for exclusions on $34 B List is October 9. Deadline to file exclusion on $16 B tariffs TBD.
Scope of current 301 tariffs

Total U.S.-China trade covered by tariffs

<table>
<thead>
<tr>
<th>Category</th>
<th>Covered by First List</th>
<th>Covered by Second List</th>
<th>Trade not impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese exports to the U.S.</td>
<td>$130B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. exports to China</td>
<td>$505B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Electronic Products Covered

- Semiconductors & LEDs: $4.80
- TV/radio transmission: $3.50
- Telecom equipment: $11
- Electrical equipment: $13.20
- Computers: $9
- Computer parts: $15
- Telecom equipment: $13.20

Total: $56 Billion
SIA’s arguments against semiconductor tariffs

• Will not eliminate China’s unfair acts, policies, and practices identified in 301 report
• Will cause U.S. semiconductor firms to pay tariffs on their own products
• Could increase costs for U.S. semiconductor firms through readjusting of supply chains
• Will increase prices for consumers and businesses who consume semiconductors
• Will threaten U.S. semiconductor industry global leadership