

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: *Comments of ACT | The App Association, Section 232 National Security Investigation of Imports of Semiconductors and Semiconductor Manufacturing Equipment* [Docket No. 250414-0066; XRIN 0694-XC121]**

Dear Secretary Lutnick and Under Secretary Kessler:

ACT | The App Association (App Association) writes in response to the Department of Commerce's (DOC's) Bureau of Industry and Security (BIS) request for views on its initiation of an investigation to determine the effects on the national security of imports of semiconductors and semiconductor manufacturing equipment (SME), and their derivative products, per under section 232 of the Trade Expansion Act of 1962, as amended.<sup>1</sup>

## **I. Introduction and Statement of Interest**

The App Association is a global policy trade association for the small business technology developer community. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. The value of the ecosystem the App Association represents—which we call the app economy—is approximately \$1.8 trillion and is responsible for 6.1 million American jobs, while serving as a key driver of the \$8 trillion internet of things (IoT) revolution.<sup>2</sup>

Semiconductors are essential to the products and services we offer, fueling innovation and growth for our companies and the broader economy. We recognize the importance of strengthening domestic chip production for national security and global competitiveness,

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<sup>1</sup> 90 FR 15950.

<sup>2</sup> ACT | The App Association, State of the App Economy (2022), <https://actonline.org/wp-content/uploads/APP-Economy-Report-FINAL.pdf>.

and we appreciate the opportunity to comment on BIS' new Section 232 investigation into the impact of semiconductor and semiconductor equipment imports on U.S. security.

## **II. Tariffs and Supply Chain Disruptions Impacting the U.S. Small Business Innovator Community**

The semiconductor industry is highly complex and far from uniform. It consists of multiple specialized segments-including design, fabrication, assembly, testing, and packaging-often handled by different companies across the globe. Within each segment, firms focus on specific activities; for example, in design, some companies license basic chip architecture or provide design software, while others, known as “fabless” firms, create sought-after chip designs without owning manufacturing facilities. Manufacturing itself involves a network of companies supplying raw materials, producing advanced manufacturing equipment, and fabricating semiconductor wafers. The final stages-assembly, testing, and packaging-are often performed by separate contractors or as part of integrated operations. Semiconductors are also highly differentiated, with products tailored for specific applications and users; they are not simple, interchangeable commodities. Procurement is equally varied, with some manufacturers buying chips directly, while others receive them as part of pre-assembled components.

The United States holds a pivotal leadership position across multiple segments of the global semiconductor supply chain, particularly in high-value areas such as chip design, electronic design automation, and advanced manufacturing equipment. This influence is evident in the U.S. government's use of strategic export controls at key chokepoints to advance foreign policy and national security objectives. Recent policies and investments, including those spurred by the CHIPS Act, have further strengthened U.S. capabilities in advanced packaging and are projected to attract over a quarter of global semiconductor capital expenditures in the coming decade. However, despite this progress, the U.S. still faces vulnerabilities in areas like advanced logic, legacy chips, memory, and critical materials. Addressing these gaps will require continued smart policies and close coordination with international partners to enhance supply chain resilience and maintain U.S. technological leadership.

The U.S. maintains a strong leadership position in key segments of the semiconductor industry, with a favorable trade balance in these products and robust exports that far exceed imports. This stands in stark contrast to other sectors previously targeted under Section 232, such as steel and aluminum, where large trade deficits and declining domestic output justified national security concerns. In semiconductors, U.S. manufacturing output and R&D investment have both grown steadily, outpacing foreign competitors and supporting continued innovation. Most U.S. semiconductor imports come from trusted allies like Taiwan, Japan, South Korea, and Israel, not from adversarial nations, and often involve specialized products not available domestically. This complementary trade strengthens, rather than threatens, U.S. supply chains and national security. The evidence does not support the idea that semiconductor imports impair U.S.

security; instead, the sector's global competitiveness and collaborative trade relationships reinforce America's economic and technological leadership.

The App Association is also concerned with the proposed scope of the investigation, which is so broad that it could encompass nearly every product containing electronics, impacting over \$1 trillion in imports. Most of these products are not related to national security but are vital to the daily operations of small businesses and the needs of American consumers.

While the App Association supports efforts to boost U.S. semiconductor capacity, we are deeply concerned about the potential imposition of tariffs on imported semiconductors, semiconductor manufacturing equipment, and the many downstream products that rely on these components. The reality is that the United States currently lacks the manufacturing capacity-both for advanced and legacy chips-to meet the needs of businesses like ours. For many critical components, domestic supply is even more limited.

### **III. Imposing Tariffs Under Section 232 Would Be Counterproductive to Supporting U.S. Economic and Security Goals, and Would Harm U.S. Small Business Innovators**

If tariffs are imposed broadly, including on imports from U.S. allies and free trade partners, the costs for startups and small businesses will rise sharply, and access to the chips and electronics we depend on will become more difficult. While we share the goal of increasing domestic production, tariffs at this stage would make it harder for us to serve our customers and grow our businesses. The limited domestic supply means tariffs would likely result in shortages and delays for the products we make and sell, affecting both consumers and the broader economy.

As small businesses and startups, we rely on a global semiconductor supply chain where the U.S. already leads in critical areas like chip design, software, and manufacturing equipment. In segments like sensors and analog chips, U.S. fabrication is world-class and supports vital industries. For other types of chips, such as logic and memory, we source from trusted allies like Japan, Korea, and Taiwan.

Total self-sufficiency isn't practical or necessary. Instead, the U.S. is wisely investing to strengthen domestic capabilities where needed. In just the past five years, over \$540 billion has been committed to new semiconductor projects across the country, with U.S. chipmaking capacity set to triple by 2032-outpacing the rest of the world. However, the real barriers to faster growth are construction delays, complex permitting, and a shortage of skilled workers-not trade issues. Building advanced chip factories is slow and expensive, and current U.S. capacity simply can't meet the full range of our needs. Many chips we use are highly specialized and can't be easily swapped for domestically made alternatives.

Imposing tariffs now would only raise our costs and slow innovation without actually boosting U.S. production. Tariffs on semiconductor manufacturing equipment or raw materials would make it even harder for American fabs to compete globally. Retaliatory measures from other countries would further hurt our industry, especially since most U.S.-made chips are sold overseas. Higher costs for chips and technology products would ripple through the entire economy, making it harder for small businesses, schools, hospitals, and government agencies to afford the tools they need. It would also slow the adoption of AI and other advanced technologies, putting us at a disadvantage compared to the rest of the world.

Small businesses and startups operate with limited resources. The added administrative and compliance burdens of navigating new tariffs-especially if they cover a wide range of electronics and downstream products-would be overwhelming for many of us. These requirements would add complexity and cost at a time when we are already managing inflation and supply chain challenges. The result could be less innovation, slower growth, and fewer jobs in our sector.

In short, tariffs would harm-not help-America's small businesses and startups. We urge policymakers to focus on real solutions: investing in workforce development, streamlining regulations, and supporting innovation, not raising costs through new trade barriers.

Imposing sweeping tariffs would also have unintended consequences. U.S. manufacturers might be forced to move production offshore to avoid higher costs and administrative hurdles, undermining the very goal of expanding domestic capacity. For small businesses and startups, the increased costs and operational complexity would reduce our ability to invest in research, development, and hiring-key drivers of American innovation and economic strength.

#### **IV. Non-Tariff Approaches the Administration Should Take to Accomplish U.S. Semiconductor Manufacturing Goals**

If the Commerce Department finds that action is needed to protect national security from semiconductor imports, we urge policymakers to focus on practical, non-tariff solutions that support America's small businesses and startups. These actions include:

- **Streamlining Permitting:** Speed up the approval process for new semiconductor projects, especially for investments from trusted partners, so we can build and expand faster.
- **Workforce Development:** Invest in training programs and smart immigration policies to address both immediate and long-term talent shortages, making it easier for us to find skilled workers.
- **Supportive Tax Policy:** Encourage investment in manufacturing and R&D with targeted tax incentives, such as a renewed small business R&D tax deduction.

- **Federal Support & Procurement:** Use tools like the Defense Production Act and federal purchasing power to boost domestic chip production and create steady demand for U.S.-made semiconductors.
- **Infrastructure Investment:** Help build the land, energy, and transportation infrastructure needed for new chip facilities, and coordinate efforts across government to get projects moving.
- **International Partnerships:** Work closely with allies to strengthen supply chains, align export controls, and address unfair trade practices-especially with partners like Japan, Korea, and Taiwan.
- **Promote Trade & Investment:** Attract more foreign investment and open new markets for U.S. chips, including by removing barriers and negotiating agreements with key partners.
- **Strong White House Leadership:** Establish a dedicated White House council to coordinate these efforts, ensure accountability, and keep small businesses and startups at the table.

These steps would do far more to strengthen the U.S. semiconductor industry and help small businesses grow than tariffs ever could. We urge the Administration to choose solutions that foster innovation, investment, and job creation here at home.

To the extent tariffs are leveraged under Section 232, they should be extremely limited and carefully targeted to avoid hurting American interests. Tariffs shouldn't apply to chips that the U.S. doesn't have the capacity to produce, or to those designed, made, or packaged here at home. Nor should they target semiconductors from trusted allies or companies investing in U.S. manufacturing. Instead, any trade measures should focus only on imports from countries or entities that pose real security risks or engage in unfair trade practices, such as those identified in ongoing investigations into China.

## V. Conclusion

We urge the Department of Commerce to carefully consider the impact of broad tariffs on small businesses and startups. While we strongly support efforts to enhance U.S. semiconductor manufacturing, we believe that imposing tariffs on a wide array of downstream products is not the answer. Instead, we advocate for policies that foster domestic growth without creating new barriers or unintended disruptions to our supply chains and operations.

We appreciate your considering the unique challenges and contributions of small businesses and startups as you move forward with this investigation. We look forward to continued dialogue and collaboration to ensure America remains a leader in semiconductor innovation and manufacturing.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Scarpelli', with a stylized, cursive script.

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