

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Notice of Action: China's Acts, Policies, and Practices Related to Targeting of the Semiconductor Industry for Dominance

AGENCY: Office of the United States Trade Representative.

ACTION: Notice of action.

SUMMARY: The United States Trade Representative (U.S. Trade Representative) has determined that China's acts, policies, and practices are actionable under Section 301 of the Trade Act of 1974 and that appropriate responsive action includes taking tariff action now on semiconductors from China, with an initial tariff level of 0 percent, increasing in 18 months on June 23, 2027, to a rate to be announced not fewer than 30 days prior to that date, as described below.

DATES: *December 23, 2025:* The effective date of the action.

FOR FURTHER INFORMATION CONTACT: Philip Butler, Chair of the Section 301 Committee or Nathaniel Halvorson, Deputy Assistant U.S. Trade Representative for Monitoring & Enforcement at (202) 395-5725.

SUPPLEMENTARY INFORMATION

I. Background

On December 23, 2024, the U.S. Trade Representative initiated a section 301 investigation of China's acts, policies, and practices related to targeting of the semiconductor industry for dominance, including to the extent that China's semiconductors are incorporated as components into downstream products for critical industries like defense, automotive, medical devices, aerospace, telecommunications, and

power generation and the electrical grid.¹ The U.S. Trade Representative also requested consultations with the Government of China pursuant to Section 303 of the Trade Act (19 U.S.C. 2413). The Government of China declined to hold consultations regarding the investigation under this statutory framework. The notice of initiation solicited written comments on, *inter alia*:

- China’s acts, policies, and practices related to its targeting of the semiconductor industry for dominance.
- Anticompetitive and non-market means employed by the PRC in pursuit of its semiconductor industry targeting objectives, including political guidance, directives, and control within state and private enterprises, activities of state-owned or state-controlled enterprises, market access restrictions, opaque regulatory preferences and discrimination, wage-suppressing labor practices, massive state support of industry (including government guidance funds), and forced technology transfer (including state-directed cyber intrusions and cybertheft of intellectual property).
- Whether China’s acts, policies, and practices are unreasonable or discriminatory.
- Whether China’s acts, policies, and practices burden or restrict U.S. commerce, and if so, the nature and level of the burden or restriction. This would include economic assessments of the burden or restriction on semiconductors, semiconductor manufacturing including foundries, silicon carbide substrates or other wafers, and downstream products, with a particular focus on critical

¹ 89 Fed. Reg. 106,725 (Dec. 30, 2025).

industries, such as defense, automotive, medical devices, aerospace, telecommunications, and power generation and the electrical grid.

- Whether China's acts, policies, and practices are actionable under section 301(b) of the Trade Act, and what action, if any, should be taken, including tariff and non-tariff actions.

Interested persons filed 26 comments. In addition, USTR and the Section 301 Committee convened a public hearing on March 11, 2025, during which witnesses provided testimony and responded to questions. The public submissions are available at: <https://comments.ustr.gov/s/> in docket number USTR-2024-0024, and a transcript of the hearing is available on USTR's website.

II. Determination of Actionability

Based on information obtained during the investigation, and in consultation with the Section 301 Committee, China's targeting of the semiconductor industry for dominance is unreasonable and burdens or restricts U.S. commerce and thus is actionable.

For decades, China has targeted the semiconductor industry for dominance and has employed increasingly aggressive and sweeping non-market policies and practices in pursuing dominance of the sector. China's pursuit of its dominance goals has severely disadvantaged U.S. companies, workers, and the U.S. economy generally through lessened competition and commercial opportunities and through the creation of economic security risks from dependencies and vulnerabilities.

Top-down industrial planning is a critical feature of China's state-led, non-market economic system. China organizes the development of its economy through broad,

national-level five-year economic and social development plans. It then employs industry-specific plans and local plans at central and sub-central levels of government that typically align chronologically with the national five-year plans. These plans often contain detailed quantitative and qualitative targets, including for production, domestic content, domestic and international market shares, and outline the non-market policies and practices China should use to achieve these targets.

Over the last 25 years, China has promulgated over 100 central and sub-central industrial plans that address the semiconductor industry, articulating over 300 qualitative and 170 quantitative targets that seek to capture global and domestic market share, transfer technology, and indigenize the equipment needed to manufacture semiconductors. In its last publicly-released market share target for the semiconductor sector, China aimed to capture 56 percent of sales in the international market and 80 percent in the domestic market, according to industrial plans. Market share targets necessitate substitution by Chinese companies at the expense of foreign competitors—for Chinese companies to gain market share, they must displace foreign companies in existing markets and take new markets as they develop in the future. Across both qualitative and quantitative targets, China's industrial plans target every major segment of the semiconductor supply chain, including fabrication; design; assembly, testing, and packaging (ATP); and materials & equipment.

Unreasonable Acts, Policies, and Practices

In particular, the U.S. Trade Representative has determined that China's targeting of the semiconductor industry for dominance is unreasonable, including for the following reasons:

First, China's targeting of the semiconductor industry is unreasonable because China exerts extraordinary control over the semiconductor industry, and other economic actors, in order to achieve its targeted dominance, including through political guidance, directives, and control within state and private enterprises, activities of state-owned or state-controlled enterprises. Adherence to the objectives of China's industrial plans is effectively mandatory. Both state actors and Chinese companies move toward the goals set by the central government and have little discretion to ignore China's industrial targets. The Chinese Communist Party also exerts control through personnel and enterprise structures. China's control over economic actors enables China to direct and influence their commercial behavior in pursuit of its targeted dominance, in ways that run counter to fair competition and market-oriented principles.

Through its control of economic actors and sectors, China directs non-market advantages to China's semiconductor industry across every major segment of the semiconductor supply chain, including fabrication, design, ATP, materials, critical minerals, chemicals, photoresists, and manufacturing equipment. These non-market advantages include massive and persistent state financial support of industry, including market access restrictions and direction; government guidance funds; forced technology transfer and intellectual property theft; opaque regulatory preferences and discrimination; and wage-suppressing labor practices. Thus, China's targeting of the semiconductor industry for dominance is unreasonable because of China's extraordinary control over its economic actors and ability to direct non-market advantages to its semiconductor industry.

Second, China's targeting of the semiconductor industry for dominance is unreasonable because it does not reflect market competition and is unconstrained by market forces. China's targeting, both by design and in effect, displaces foreign firms, deprives market-oriented businesses and their workers of commercial opportunities, and lessens competition. China's plans, including as demonstrated by specific market share targets, are to achieve a long-term dominant position in these economic sectors. Its targeting of the industry for dominance necessarily means displacing foreign firms from existing markets, and taking new markets as they arise, diminishing competition. Foreign firms are increasingly unable to compete with the resources of the Chinese state, resulting in lost sales, under-investment in capacity, diminished ability to attract financing, and lost jobs and lower wages. The dominant positions China seeks, and increasingly achieves, in numerous segments of the semiconductor industry give it market power over global supply, pricing, and access.

Third, China's targeting of the semiconductor industry for dominance harms foreign competitors and purchasers by creating and exploiting dependencies. China's objective is to ultimately displace foreign competitors throughout the semiconductor value chain in domestic and foreign markets, which increases the world's dependence on its companies, products, services, and technology. The creation of dependencies also increases risk for individual firms and their workers, for economic sectors (including workers' communities), and for supply chain resilience. China has demonstrated in the past its willingness to weaponize dependencies for purposes of economic coercion, including in this sector through export restrictions on gallium, germanium, antimony, and other critical minerals. China has applied these export restrictions broadly without regard

to end-use or end-users. China's targeting of this sector for dominance is therefore unreasonable also due to the creation of dependencies and resulting vulnerabilities and risks.

Burden or Restriction on U.S. Commerce

Furthermore, the U.S. Trade Representative determined that China's targeting of the semiconductor industry for dominance burdens or restricts U.S. commerce, including for the following reasons:

First, China's targeted dominance burdens or restricts U.S. commerce because it undercuts business opportunities for and investments in the U.S. semiconductor industry. China has targeted the semiconductor industry for dominance for decades and increasingly dominates segments of the semiconductor value chain. Indeed, China continues to build upon its dominance and seeks to expand into new segments of the value chain. China's targeting for dominance contributes to lost sales, chronic underinvestment in numerous segments, and a diminished U.S. industry, constituting a burden and restriction on U.S. commerce.

Second, China's targeting for dominance burdens or restricts U.S. commerce because it creates economic security risks from dependence and vulnerabilities in sectors critical to the functioning of the U.S. economy. China's targeting for dominance has created, and will continue to accelerate, dependencies for the U.S. semiconductor industry and for purchasers of semiconductors, creating vulnerabilities across the U.S. economy. China has also revealed the capacity and willingness to weaponize dependencies and vulnerabilities through economic coercion. Over-reliance on a single economy for semiconductors and related technology or products increases the cost of any

disruption. The economic security risks U.S. firms and the U.S. economy bear from these dependencies and vulnerabilities, through their potential for disruption and coercion, burden or restrict U.S. commerce.

III. Determination of Appropriate Action

Section 301(b) provides that upon determining that the acts, policies, and practices under investigation are actionable and that action is appropriate, the U.S. Trade Representative shall take all appropriate and feasible action authorized under Section 301(c), subject to the specific direction, if any, of the President regarding such action, and all other appropriate and feasible action within the power of the President that the President may direct the U.S. Trade Representative to take under Section 301(b), to obtain the elimination of that act, policy, or practice. Section 301(c) of the Trade Act authorizes the U.S. Trade Representative to take certain actions for purposes of carrying out the provisions of Section 301(b). For example, Section 301(c)(1)(B) authorizes the U.S. Trade Representative to “impose duties or other import restrictions on the goods of [the foreign country subject to the investigation] and, notwithstanding any other provision of law, fees or restrictions on the services of, such foreign country for such time as the Trade Representative determines appropriate.” Section 301(c)(3)(A) provides that actions that the U.S. Trade Representative is authorized to take may be taken against any good or economic sector on a non-discriminatory basis or solely against the foreign country concerned.

Pursuant to Sections 301(b) and (c), the U.S. Trade Representative has determined that responsive action is appropriate and that appropriate responsive action includes taking tariff action now on semiconductors from China, with an initial tariff level of 0

percent, increasing in 18 months on June 23, 2027, to a rate to be announced not fewer than 30 days prior to that date. These new Section 301 tariffs would be additional to the existing 50 percent Section 301 tariff on semiconductors from China imposed pursuant to the Section 301 investigation related to forced technology transfer. The U.S. Trade Representative will continue to monitor the efficacy of this action, the progress made toward resolution of this matter, and the need for any additional action.

This action applies to the following 8-digit subheadings:

Tariff Code	HS Description
28046100	Silicon containing by weight not less than 99.99 percent of silicon
38180000	Chemical elements doped for use in electronics, in the form of discs, wafers etc., chemical compounds doped for electronic use
85411000	Diodes, other than photosensitive or light-emitting diodes
85412100	Transistors, other than photosensitive transistors, with a dissipation rating of less than 1 W
85412900	Transistors, other than photosensitive transistors, with a dissipation rating of 1 W or more
85413000	Thyristors, diacs and triacs, other than photosensitive devices
85414910	Other photosensitive semiconductor diodes, other than light-emitting
85414970	Photosensitive transistors
85414980	Photosensitive semiconductor devices nesoi, optical coupled isolators
85414995	Other photosensitive semiconductor devices, other than diodes or transistors, nesoi
85415100	Other semiconductor-based transducers, other than photosensitive transducers
85415900	Other semiconductor devices, other than semiconductor-based transducers, other than photosensitive devices, nesoi

85419000	Parts of diodes, transistors, similar semiconductor devices, photosensitive semiconductor devices, LED's and mounted piezoelectric crystals
85423100	Electronic integrated circuits: processors and controllers
85423200	Electronic integrated circuits: memories
85423300	Electronic integrated circuits: amplifiers
85423900	Electronic integrated circuits: other
85429000	Parts of electronic integrated circuits and microassemblies

In order to implement the Trade Representative's determination, subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States (HTSUS) is modified by the Annex of this notice, effective December 23, 2025.

Products of China that are provided for in HTSUS heading 9903.91.05 and described in subdivision (f)(ii) of note 31 to subchapter III of chapter 99 of the HTSUS, as established by the Annex of this notice, shall continue to be subject to antidumping, countervailing, or other duties, fees, exactions and charges that apply to such products. Any product covered by the Annex to this notice, except any product that is eligible for admission under 'domestic status' as defined in 19 CFR 146.43, which is subject to the additional duty imposed by this determination, and is admitted into a U.S. foreign trade zone on or after the effective date of the additional duties only may be admitted as 'privileged foreign status' as defined in 19 CFR 146.41. Such products will be subject upon entry for consumption to any ad valorem rates of duty or quantitative limitations related to the classification under the applicable HTSUS subheading.

ANNEX

Subdivision (f) of U.S. note 31 to subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States is amended:

1. by deleting “Heading 9903.91.05” and by inserting “(i) Heading 9903.91.05” in lieu thereof; and
2. by inserting the following in numerical order:

“(ii) The additional rate of duty under heading 9903.91.05 shall be increased on June 23, 2027. The U.S. Trade Representative will announce the amount of the increase in a Federal Register notice that is issued at least 30 days prior to that date.”

Jennifer Thornton

General Counsel,

Office of the United States Trade Representative.