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From Chips to Minerals: New Section 232 Tariff Actions Target Semiconductors and Critical Minerals

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On January 14, President Trump issued two proclamations under Section 232 of the Trade Expansion Act of 1962 (Section 232) addressing national security risks associated with imports of processed critical minerals and semiconductors. The actions follow U.S. Department of Commerce (Commerce) investigations initiated in 2025 on critical minerals and semiconductors, reflecting an expanded use of Section 232 authorities to reshape supply chains for technologies viewed as essential to U.S. defense, infrastructure, and economic security.

While the proclamations take different approaches — one establishing a pathway for future restrictions and the other immediately imposing tariffs — they together signal heightened trade, compliance, and sourcing risk for companies operating across critical minerals, electronics, artificial intelligence, and semiconductor supply chains. Both actions require continued monitoring by Commerce and contemplate additional trade measures, including potential expansion of tariffs and related incentive structures.

Critical Minerals – No Immediate Tariffs

The first proclamation, "Adjusting Imports of Processed Critical Minerals and Their Derivative Products into the United States" (the Critical Minerals Proclamation), addresses imports of processed critical minerals and their derivative products (PCMDPs). It is based on a Commerce investigation initiated in 2025 that examined U.S. reliance on foreign sources not only for mineral extraction but, more significantly, for processing minerals into usable forms such as rare earth magnets, battery materials, and specialized industrial inputs.

Commerce concluded that the U.S. is fully import-reliant for several critical minerals and at least 50% import-reliant for many others, with domestic processing capacity insufficient even where domestic mining exists. The Critical Minerals Proclamation links these conditions to national security risks stemming from supply disruptions, foreign concentration of processing capacity, and price volatility affecting defense readiness, critical infrastructure, and the broader industrial base.

Still, the Critical Minerals Proclamation does not impose tariffs, quotas, or price controls at this time. Instead, it directs the Secretary of Commerce and the U.S. Trade Representative to negotiate agreements with foreign partners to secure reliable access to PCMDPs. If those negotiations fail to adequately address the identified risks, the administration may consider trade-restrictive measures, including minimum import prices.

Commerce is instructed to monitor PCMDP imports on an ongoing basis, reassess their national security impact, and recommend additional Section 232 actions if warranted. The Critical Minerals Proclamation took effect on

January 14, 2026, and requires a report to the President within 180 days on the status of negotiations. No expiration date is specified.

For companies, this creates a period of uncertainty rather than immediate cost increases. Import-dependent manufacturers — particularly in electronics, automotive, batteries, energy, aerospace, and advanced materials — should anticipate increased scrutiny of supply chains and a policy preference for domestic or allied-country processing. Companies may wish to assess exposure to PCMDPs, review contractual allocation of tariff risk, and consider diversification or domestic processing options ahead of potential future restrictions.

Semiconductors – 25% Tariff and Exemptions

The second proclamation released, "Adjusting Imports of Semiconductors, Semiconductor Manufacturing Equipment, and Their Derivative Products into the United States" (the Semiconductor Proclamation), addresses semiconductors, certain semiconductor manufacturing equipment, and derivative products, and is based on a Commerce Section 232 investigation initiated in 2025. Commerce found that U.S. dependence on foreign semiconductor supply poses a national security risk, because domestic capacity does not meet projected defense and commercial demand.

The Semiconductor Proclamation notes that the U.S. consumes approximately one-quarter of global semiconductor output but manufactures only a small portion of the chips it uses, even as semiconductors underpin all 16 U.S. critical infrastructure sectors. Particular emphasis is placed on advanced chips used in artificial intelligence and data-center applications, where import patterns are viewed as problematic when they do not support U.S. manufacturing and supply-chain development.

The Semiconductor Proclamation adopts a two-part approach:

1. It imposes a 25% *ad valorem* tariff (the Semiconductor Tariff) on specified advanced computing chips and related derivative products identified as "Covered Products" in the annex to the Semiconductor Proclamation and corresponding Harmonized Tariff Schedule of the United States amendments. The Semiconductor Tariff applies to goods entered for consumption, or withdrawn from warehouse for consumption, beginning at 12:01 a.m. ET on January 15, 2026, and remains in effect unless modified.
2. It directs the Secretary of Commerce and the U.S. Trade Representative to negotiate with key foreign jurisdictions to strengthen U.S. semiconductor production and supply-chain resilience. A report on the status of those negotiations is due to the President within 90 days, and the Semiconductor Proclamation contemplates the possibility of broader, "significant" tariffs on semiconductors, semiconductor manufacturing equipment, and derivatives following the conclusion of negotiations, potentially paired with a tariff-offset or other incentive program for companies that invest in U.S. semiconductor capacity.

Under the Semiconductor Proclamation, the U.S. will collect the 25% duty on a narrow category of advanced AI and computing semiconductors when the chips enter the U.S., even if they are ultimately destined for Chinese customers or other foreign markets; while the administration has, for now, declined to extend tariffs to a broader range of foreign-made chips despite a Section 232 finding of national security harm, the surcharge was announced one day after Commerce's Bureau of Industry and Security eased licensing criteria for exports of certain AI chips (including H200s) to China and appears to have been a condition for allowing a major U.S. technology company to continue selling into that market.

The Semiconductor Tariff is structured with use-based exemptions to minimize impacts on U.S. technology development and is primarily aimed at imports that support advanced computing infrastructure located outside the U.S., rather than U.S.-based operations. Covered Products are exempt from the Semiconductor Tariff:

- When used in U.S. data centers;
- For U.S.-based repairs or replacements;
- For research and development conducted in the U.S.;
- By U.S. startups;
- In non-data-center consumer applications in the U.S.;
- In non-data center civil industrial applications in the U.S.;
- In U.S. public-sector uses; or
- In other uses determined by the Secretary of Commerce to strengthen U.S. technology supply chains or domestic manufacturing capacity.

The exemptions for “non-data-center consumer applications” and “non-data-center civil industrial applications” are drafted in notably broad terms and are not further defined in the tariff action. This breadth creates potential ambiguity as to which specific end uses qualify, and may result in a wide range of products and use cases arguably falling within the exemption, pending additional clarification or implementing guidance from Commerce.

Claiming an exemption is expected to require end-use certifications and supporting documentation, which Commerce and U.S. Customs and Border Protection (CBP) are directed to implement through Federal Register notices, including any necessary changes to tariff classifications and administrative procedures.

The Semiconductor Proclamation also clarifies that Covered Products subject to the Semiconductor Tariff will not be subject to additional Section 232 tariffs on the same goods and that they are excluded from certain International Emergency Economic Powers Act (IEEPA) tariffs, including Reciprocal Tariffs imposed by Executive Order 14257, as amended; Canada Fentanyl/Migration Tariffs imposed pursuant to Executive Order 14193, as amended; and Mexico Fentanyl/Migration Tariffs imposed pursuant to Executive Order 14194, as amended. The Semiconductor Proclamation further clarifies that Covered Products will be subject to the IEEPA China Fentanyl Tariffs imposed pursuant to Executive Order 14194, as amended by Executive Orders 14228, 14256, and 14357, as well as any applicable tariffs issued pursuant to Section 301 of the Trade Act of 1974 and antidumping and countervailing duties.

No duty drawback is permitted, and Covered Products admitted into U.S. foreign trade zones (FTZs) on or after the effective date must generally be treated as privileged foreign status, meaning their tariff classification and duty rate are locked in at admission and the 25% duty will be charged when they are entered into U.S. commerce. Commerce must continue monitoring semiconductor imports and report by July 1, 2026, to the President, with a particular focus on chips used in U.S. data centers, at which point the tariff framework may be revisited.

Key Takeaways

The Critical Minerals Proclamation does not yet impose new duties, but it clearly points toward potential future restrictions on imports of processed critical minerals and their derivatives. Articles at risk in later actions include processed lithium, cobalt, nickel, manganese, and graphite compounds used in batteries; rare earth oxides and

salts; rare earth permanent magnets; and specialty alloys and chemical inputs incorporating critical minerals used in electric vehicles, batteries, automotive components, defense systems, electronics, chemicals, and energy infrastructure. Importers and downstream manufacturers in these sectors should expect increased scrutiny of foreign-processed inputs, begin mapping exposure to PCMDPs, and evaluate alternative or “friend?shored” processing options in case Commerce moves to price floors or tariffs after the 180?day review.

The Semiconductor Proclamation creates immediate cost and compliance exposure through a 25% tariff on designated “Covered Products,” expected to include high?performance AI and data?center chips (*e.g.*, advanced graphics processing units, AI accelerators, certain high?end processors and modules) and their derivative products. Impacted importers include fabless and integrated device manufacturers bringing advanced chips into the U.S., semiconductor distributors, data?center and cloud/AI providers importing hardware, original equipment manufacturers, and contract manufacturers importing boards or cards with advanced chips, and FTZ operators handling these items. Because the Semiconductor Tariff is subject to use?based exemptions (*e.g.*, U.S. data centers, repairs, U.S. research and development, startups, consumer and industrial uses, and public?sector projects), affected companies must quickly determine whether their products fall within Covered Product classifications and build robust end?use certification and documentation processes to support exemption claims and withstand CBP or Commerce scrutiny.

Companies that engage early, by reassessing supply chains, tightening compliance controls, and planning for potential escalation in Section 232 measures, are likely to be best positioned to manage risk and capture opportunities as this new trade and industrial policy framework takes shape.

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