TECH· SEMICONDUCTORS

TSMC's $100 billion promise to invest in the U.S. won't shake up the chip supply chain: 'Most of its capacity is still in Taiwan'

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President Donald Trump (R) shakes ands with TSMC CEO C.C. Wei in the Roosevelt Room of the White House on March 3, 2025 in Washington D.C. Trump had announced that TSMC planned to invest $100 in new manufacturing facilities in the U.S.

ANDREW HARNIK—GETTY IMAGES

In his 90-minute address to Congress, President Donald Trump celebrated TSMC's pledge to invest $100 billion in the U.S. as proof that his "America First" investment plan was working.

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The chipmaker's investment pledge came after Trump threatened to place tariffs on chips from Taiwan, which the president regularly accuses of stealing the U.S.'s chip business. And in his congressional address, Trump credited his tariff threat—and not subsidies put into place by previous President Joe Biden—for TSMC's decision to invest more in the U.S.

But in recent days, Taiwan's government and TSMC have come out to say that the chipmaker's decision was not due to Washington pressure—and many claim it was nothing more than a move to expand manufacturing of the day-to-day chips used by its biggest customer.

Taiwan's economics minister Kuo Jyh-Huei argued last week that TSMC's U.S. investment plans "have nothing to do with tariffs."

"TSMC's global expansion is a crucial development," he said.

TSMC's latest U.S. investment would add two advanced packaging facilities, three more semiconductor foundries, and a research center to the chipmaker's Arizona facility. The new commitment brings TSMC's total investment in the U.S. state to $165 billion.

"Customer demand" drove TSMC's decision to invest in the U.S., said TSMC CEO C.C. Wei last week. "The amount of investment in the U.S. may seem large, but it is still not enough to meet demand," Wei added.

Silicon shield

Taiwan's chip industry has been credited as a "silicon shield", helping to protect the self-governing island from Beijing pressure. Until now, the self-governing island has been the only source of the advanced semiconductors used by firms like Apple and Nvidia.

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But in recent years, TSMC, the world's leading contract chipmaker, has diversified its supply chain with new plants in the U.S., Japan, and Germany. Washington in particular has publicly dangled billions in subsidies to encourage chip manufacturers to base operations in the country.

Now, with TSMC's $100 billion investment pledge, Taiwan's opposition party, the Kuomintang, has questioned the government's plans, raising worries that more operations opening in the U.S. would negatively affect Taiwan's 'silicon shield'

The island's third political party, the Taiwan People's Party, also questioned whether TSMC would move its most advanced technologies to the U.S. in the near term, something that the island's economics minister said would not happen.

Even Beijing has gotten in on the act, with Chinese officials commenting in February that people in Taiwan were worried TSMC might become the "United States Semiconductor Manufacturing Company". (Beijing's spokesperson didn't provide evidence at the time.)

Yet analysts think TSMC's massive U.S. investment won't threaten Taiwan's place in the chip supply chain. Ninety percent of TSMC's 5-nanometer chip production remains in Taiwan, and the first 3-nanometer chips, the latest generation, are only made in the island according to Hui He, research director at Omdia.

"Most of TSMC's capacity is still in Taiwan," Hui says. "I don't think that Taiwan will be less important if U.S. capacity increases."

Nor will TSMC's U.S. operations manufacture the cutting-edge chips that, for now, are only made in Taiwan. Instead, the Arizona plant—even after TSMC's promised $100 billion investment—will likely remain just slightly behind the cutting-edge, as the chipmaker ports over tried-and-true processes from Taiwan for now.

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Taiwan's government will still need to approve the TSMC investment. Both Taipei and TSMC say U.S. pressure did not play a role in the chipmaker's decision to invest in the U.S.

Chip companies investing in the U.S.

"We see the new fabs as a strong signal that TSMC's investments are not commercially driven," wrote Morningstar's equity analyst Phelix Lee in a note last week. "TSMC has previously said construction and manufacturing are both more expensive in the U.S. as well as its preference to keeping R&D and manufacturing close in Taiwan."

David Chuang, a senior research analyst at Isaiah Research, is skeptical that TSMC's $100 billion pledge will fully materialize.

"The market is there," he says. "But it boils down to the value proposition. How much can TSMC charge for U.S. manufacturing?"

TSMC's current manufacturing in Arizona emulates what the chipmaker is already doing in Taiwan, such as a "lower cost" version of its 4-nanometer chips. "The process is simplified," Chuang says, with the result going into less powerful devices like smartwatches, rather than high-end smartphones.

With its established chipmaking ecosystem and steady supply of talent, the latest chips will come from Taiwan first.

And with the AI boom continuing to drive demand for more and more advanced chips, Chuang says Taiwan is going to be key for fulfilling that demand. Timelines for reaching the next generations of chips are "not quite aligned with U.S. capacity right now," he says.

"The U.S. capacity will always be lagging behind."

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