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EXCLUSIVE TRADE

Trump Takes Aim at Chip Makers With New Plan to Throttle Imports

Administration wants domestic manufacturing to match imports and would impose tariffs on those companies that don't step up production

By Amrith Ramkumar Follow

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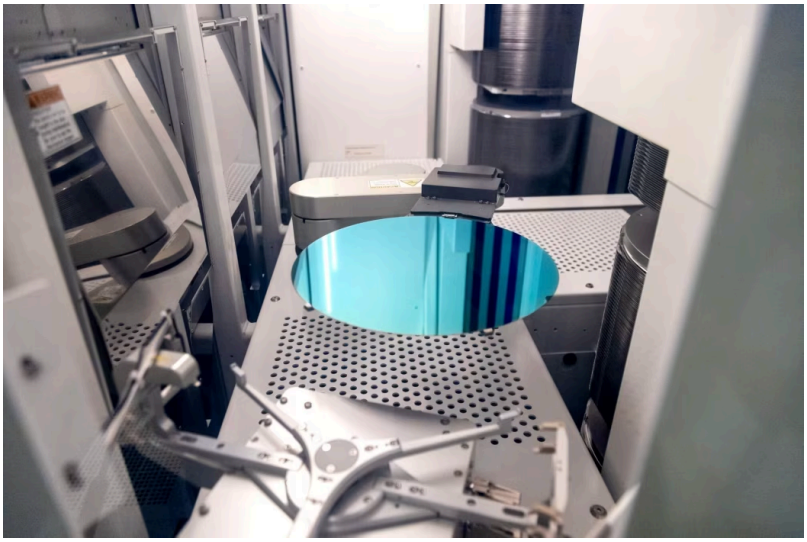

Production at a Micron Technology facility in Boise, Idaho. PHOTO: KYLE GREEN/BLOOMBERG NEWS

Quick Summary

- The Trump administration is considering a plan to mandate a 1:1 ratio of domestically manufactured to imported semiconductors.

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The Trump administration is weighing a new plan to reduce dramatically the U.S.'s reliance on semiconductors made overseas, hoping to spur domestic manufacturing and reshape global supply chains.

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The policy's goal is to have chip companies manufacture the same number of semiconductors in the U.S. as their customers import from overseas producers. Companies that don't maintain a 1:1 ratio over time would have to pay a tariff, according to people familiar with the concept.

The plan is the result of what President Trump referred to last month when he said tech companies that invest more in the U.S. would avoid roughly 100% tariffs on semiconductors, the people said. Matching capacity of domestic chips with imports is a taller order than simply increasing domestic investments because overseas products are often cheaper, supply chains are difficult to tweak, and increasing U.S. supply takes time.

If implemented, the plan could further complicate an already-convoluted tariff system.

Commerce Secretary Howard Lutnick has discussed the idea with semiconductor industry executives and told them it might be needed for economic security, the people said. Administration officials have worried for many years that U.S. tech companies are overly dependent on chips made overseas, particularly in Taiwan, which is roughly 80 miles from mainland China and seen as vulnerable to Chinese aggression or natural disasters that could roil tech-supply chains.

Tech executives are focused on the issue because chips are ubiquitous in the modern economy and power everything from smartphones to cars. Companies often send chips manufactured in the U.S. overseas to be assembled into tech products. They are then returned as components within those larger products, making tariff implementation challenging. It couldn't be determined how tariff value would be calculated for products containing chips, and the plan could still change.

"America cannot be reliant on foreign imports for the semiconductor products that are essential for our national and economic security," White House spokesman Kush Desai said. "Unless officially announced by the administration, however, any reporting about our policymaking should be treated as speculative."

Under the new system, if a company pledged to build one million chips in the U.S., it would essentially be credited with that amount over time so the company and its customers could import until its plant was completed without paying tariffs, the people said. There could be relief at the start of the process to give companies time to adjust and increase U.S. capacity, the people said.

The process could challenge the biggest tech companies such as Apple and Dell Technologies, which import products containing a host of different chips from all over the world. Under the proposed system, companies would potentially have to keep track of where all those chips were made and work with chip makers to match the number of U.S. and overseas products over time.

It could be a boon for companies increasing U.S. production such as Taiwan Semiconductor Manufacturing Co., Micron Technology and GlobalFoundries, which would get more leverage in discussions with customers.

The exemption process could test the relationship between the president and tech executives, who have pledged hundreds of billions of dollars in new U.S. investment to appeal to him. Trump praised Apple Chief Executive Tim Cook last month for increasing the company's U.S. investments after criticizing him earlier in the year for still making iPhones overseas. The company and industry analysts have said it is unrealistic to manufacture them in America.

The administration is conducting a trade investigation into how chip imports affect national security and is expected to announce the new chip levies after it concludes.

The U.S. awarded manufacturers billions of dollars in grants and other subsidies through the 2022 Chips Act, but some companies have complained that their customers are still reluctant to pay more for American-made products when they can go overseas.

The new plan would be part of the Trump administration's effort at tackling the problem, using the threat of tariffs to push companies to buy more U.S. chips.

Depending on how it is implemented, the plan might face roadblocks if some highly advanced or specialty products couldn't be easily made in the U.S.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com

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