

US Chip War Hurts Taiwan

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While the United States' European allies are now [fighting aggressive American subsidies](#) (a crisis that risks dividing the political West), Taiwan, another US ally, also faces Washington's protectionism. This fits into the US pattern of [hurting](#) close [allies](#) in many different ways.

Biden and Apple's CEO Tim Cook are visiting Arizona on December 6 to launch the \$12 billion American plant of chip giant TSMC – it is the company's first advanced chip in the US. The US \$52 billion chip subsidy bill (passed in July) has been described as vital to the construction of the TSMC plant in Arizona. This will basically transfer Taiwan's productivity and its most advanced technology to the US and such news has not been well received in Taiwan.

Journalist Zhang Zhouxiang has described this new development as TSMC draining itself. According to him, Taiwan is moving "high-end jobs" away, which hurts Taiwanese economy.

Semiconductors play a key role in cybersecurity and military applications. Since the pandemic, there has been a shortage of chips (semiconductors) and earlier this year the US Commerce Secretary Gina Raimondo described this situation as a "national security" issue.

Regarding chips, national interests and national security concerns are thus often intertwined. The British government has basically imposed a [semiconductor blockage on China](#), by having taken actions to retrospectively block the sale of Newport Wafer Fab (one of the country's largest semiconductors plants) to Nexperia, a Dutch company owned by China's Wingtech. Just days before, the German government had blocked the sale of Elmos Semiconductor's factory to Silex, a Swedish subsidiary of China's Sai Microelectronics. In both Germany and Britain concerns about security and economic as well as technological sovereignty have been voiced. There are also concerns about the possible outflow of technical know-how.

Likewise, as part of the ongoing New Cold War, the US government, in early October, banned Chinese companies from purchasing (without a license) both chip-making

equipment and advanced chips. Singapore's foreign minister Vivian Balakrishnan went so far as to describe the American ban as "all but a declaration of a technology war". Former US Treasury secretary Lawrence Summers has also described the American chip restrictions as a "de facto declaration of economic war" (against China), and added that it is a "disproportionate response".

Chipmaking has been a new front in American-Chinese tensions, and now, with the aforementioned German and British decision, tensions are also escalating in Europe. Such European decisions are also the result of Washington's pressure, according to Xiaomeng Lu, director of geo-technology at Eurasia Group.

In February, amid the escalation of tensions between Beijing and Washington over Taiwan, I [wrote](#) on how Taiwan stands between the two superpowers in their technological competition. Amid the ongoing chip race, many different countries have introduced incentives to foster the semiconductors' industry. Taiwan is the planet's largest chip manufacturer and is also the center of Chinese-US tensions today. This is the ironic context of TSMC's Arizona move.

It is increasingly difficult today to insulate industries from geopolitical disputes. Beijing aspires to become a tech superpower, something which American political elites will not tolerate. Although the Chinese semiconductor industry has been growing quite quickly, it still remains behind the cutting edge in chips, largely due to American efforts to block Chinese endeavors to acquire the necessary equipment and know-how.

However, the American economic war on Beijing in fact [endangers the global microchip industry](#) itself and increases the risk of butterfly effects, China being a key part of the globalized world. Moreover, while the US never had an intensive economic relationship with its Soviet rival during the old Cold War, China today remains the United States' third largest market for exports. In addition, as historian and foreign-policy analyst Max Boot has remarked, a single factory in China, Foxconn, is reported to produce about half the world's iPhones, for example. This being so, according to Boot, while Washington does not want to see any Western technology being "transferred" to the Chinese military, it can't, on the other hand, endanger supply chains for chips and other vital parts.

Moreover, the so-called American "chip war" and its export curbs can in fact bring record losses for Taiwanese, Japanese and South Korean makers (all of these nations being US allies).

Washington's aggressive subsidies and protectionism have arguably stopped the country from rejoining the Trans-Pacific Partnership (a trade agreement among 12 Asia-Pacific nations). Its Inflation Reduction Act in turn has alienated important allies such as Germany and France – the very states Washington counts on in its plans to counter China.

Harvard professor William Overholt has stated that today the US "wants everybody to join economic alliances" with them, while not giving anything in return. Meanwhile, ironically, Communist-Party ruled China, according to him, has promoted freer trade and investment around the world.

With the Belt and Road Initiative, among others, geoeconomics has been the very core of Beijing's geostrategic approaches. Washington, in turn, has been dangerously weaponizing its economic and financial policies to "counter" China and Russia, also hurting close allies in

the process. The irony is that the more the US employs economic leverage to aggressively coerce other states, the greater the incentive to come up with alternatives against Washington.

To sum it up, currently, the US is [overextended and overburdened](#), trying to simultaneously encircle and contain both Moscow and Beijing. Its aggressive protectionism in turn has been enraging and alienating important allies, such as the EU and Taiwan. All of this signals the [decline](#) of the American superpower and of the US-led global order.

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