Will TSMC become the "TSMC of America"? Exploring its global layout and future prospects from the perspective of tariff policy

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Tariff policy reshapes global supply chains

Since the Trump administration took office, the global economic and trade system has undergone a dramatic reorganization. Under the "America First" policy, the Trump administration sought to rebuild the U.S. domestic manufacturing industry and reshape the global supply chain to solve the long-term trade deficit by imposing tariffs on foreign countries and reducing taxes at home. This series of tariff policies reflects the Trump administration's dissatisfaction with the loss of U.S. manufacturing overseas and also reveals its pursuit of U.S. economic security.

TSMC was targeted, and the U.S. threatened high tariffs

Among these Trump administration policies, the one most relevant to Taiwan is the threat of high tariffs on semiconductors. The Trump administration has repeatedly named TSMC, accusing it of "hollowing out the U.S. semiconductor industry" and even threatening to impose tariffs of up to 100% on its products. This reflects two implications: on the one hand, the United States is highly dependent on TSMC to provide advanced-process chips; on the other hand, based on geopolitical risks, the United States hopes to return some advanced production capacity to the United States to ensure national security.

TSMC's large investment in the U.S.

For this reason, TSMC Chairman C.C. Wei announced at the White House on March 4 this year that he would increase his investment in the U.S. by $100 billion to build three wafer fabs, two advanced packaging plants, and a research and development center. Together with the previously announced $65 billion, the total investment reached $165 billion, showing TSMC's deep layout in the U.S. market.

Social concerns: the shadow of technology leakage and the worry of "Dutch disease"

TSMC's large-scale investment in the United States has caused two concerns in Taiwanese society. The first is the risk of technology leakage. Some people believe that overseas investment may lead to technology leakage. Similar debates have appeared more than 20 years ago, but the focus of the debate was not on investment in the United States, but on the government's request to open semiconductor investment to China. However, hindsight shows that TSMC's international investments were not necessarily accompanied by core technology outflows, and its stock price has even risen nearly tenfold during this period, indicating that the concern may be overestimated.

Secondly, there are also views that this move may cause the so-called "Dutch disease"—that is, excessive concentration of industries leads to appreciation of the local currency, which in turn hurts other export industries. However, according to TSMC's current plan, even if the new U.S. plant is fully operational in 2030, more than 90% of the production capacity below 7 nanometers will still be located in Taiwan, of which more than 80% is below 3 nanometers, indicating that Taiwan's local investment has not been marginalized. The Dutch disease theory seems somewhat far-fetched.

Core Challenge: Justifying Overseas Investment to Stakeholders

The greater challenge lies in persuading both domestic and international stakeholders that TSMC’s overseas investment aligns with the strategic interests of Taiwan—and even the United States. Domestically, the government should recognize that TSMC has grown into a global enterprise. Whether it is market demand, land, water and electricity resources, or even talent supply, it is difficult to rely solely on Taiwan's domestic support. Therefore, its layout in the United States, Japan, and Europe reflects the inevitable choice of global capacity allocation and strategic cooperation. Taking talent as an example, TSMC recruits nearly 10,000 employees in Taiwan every year, which has reached the limit of manpower for a single manufacturer in Taiwan's low-birth-rate society; and with the increasing demand for water and electricity for advanced processes, overseas investment is actually a necessary strategy to resolve resource bottlenecks.

Internationally, especially in the United States, TSMC must actively communicate the following facts: Although the United States has a need to move advanced

processes back to its home country due to geopolitics, Taiwan's semiconductor industry still has irreplaceable manufacturing efficiency and cost advantages after 40 years of operation. According to TSMC's financial report, production costs at the U.S. plant are at least 50% higher—and nearly double in some cases—compared to those in Taiwan, pushing the gross margin down from over 50% to around 30%, leaving little to no profit after depreciation. Therefore, only by retaining most of the advanced production capacity in Taiwan can long-term technology research, development, and trial production costs be sustained, avoiding a repeat of Intel's operational difficulties. Otherwise, if advanced manufacturing is shifted to the United States, the country may gain short-term capacity, but it risks losing long-term technological innovation capabilities.

Conclusion: Building a Semiconductor Democratic Alliance in a Changing Situation

In summary, the Trump administration's use of tariffs to pressure Taiwan's semiconductor industry is not only an important challenge to Taiwan's foreign trade, but also a major impact on the semiconductor supply chain. Taiwan became the sixth-largest source of the U.S. trade deficit last year, with a trade deficit of about US$75 billion. It must respond effectively to this wave of significant changes in U.S. economic and trade policy. In the past, Taiwan's industrial structure was mainly based on manufacturing, and its experience in foreign government negotiations and corporate public relations was relatively weak. This has become a strategic weakness under geopolitical pressure. In the face of this situation, the government must strengthen internal communication, explain the necessity of TSMC's overseas investment, and eliminate the doubts of the people about the "Dutch disease"; externally, it must actively convey the reality of industrial division of labor to the United States, work jointly to build a "semiconductor democratic supply chain," and reduce the spread of "suspicion of the United States" in society. Only in this way can Taiwan maintain economic security and industrial competitiveness in a turbulent international environment.