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SPECIAL ISSUE ARTICLE

Semiconductor Tariffs as Policy Whiplash

Shin-yi Peng

Distinguished Professor of Law, National Tsing Hua University, Taiwan
Email: sypeng@mx.nthu.edu.tw

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Abstract
Early signs suggest that Trump may revise the Biden administration's incentive-driven semiconductor policy and instead rely more heavily on tariffs to restore US semiconductor manufacturing. To what extent can semiconductor tariffs serve as a form of policy whiplash to compel foreign companies to relocate their operations? This article argues that while tariffs can influence investment decisions, Trump overstates their effects on fab locations and supply chain diversification. Semiconductor manufacturers weigh a complex set of factors encompassing partners in the supply chain ecosystem, potential regulatory scrutiny, technological trends, and more. Tariffs in and of themselves may not be a determinative factor behind TSMC's recently announced plan to expand its US investment.

Keywords: Semiconductor; tariffs; TSM; foreign direct investment; chip foundry supply chain; resilience industrial policy

1. Trump's Semiconductor Tariff Threats

Earlier this year, shortly after United States President Trump began his second term in office, he threatened to impose tariffs of up to 100% on imported semiconductor chips. Trump criticized the ineffectiveness of the Biden administration's incentive-driven semiconductor policy, particularly the CHIPS and Science Act,[1] and subsequently announced his intention to significantly raise tariffs on imported chips to encourage semiconductor manufacturers, especially the Taiwan Semiconductor Manufacturing Company (TSMC), to expand production in the US and strengthen domestic advanced chip manufacturing capabilities.[2] At the same time, the Trump administration made public demands, regardless of whether formal negotiations had started, attempting to rescue the US chipmaker Intel, particularly its foundry division Intel Foundry Services (IFS), by pressuring TSMC to partner with Intel.[3] These recent developments confirm our observation that international trade liberalization in semiconductors, and the core concept of globalization itself,[4] is now deeply entangled with geopolitical complexities.

[1]CHIPS and Science Act of 2022, Pub. L. No. 117–167 (August 2022).

[2]S. Ezell (2025) 'Trump's Proposed Tariffs on Taiwanese Semiconductors Would Backfire', Information Technology and Innovation (ITIF) (28 January 2025).

[3]B. Chuang (2025) 'Trump Administration Pressures TSMC to Partner with Intel in B for Stronger US Ties', Digitimes (26 February 2025).

[4]M. Chang, the founder of TSMC, stated years ago: 'In the chip sector, globalization is dead.' See e.g., CommonWealth Magzine (19 March 2023).

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On 2 April, Trump announced new tariff measures on imports from various countries, ranging from 10% to 50%. Many semiconductor-related products are not covered by the reciprocal tariff because the administration 'is looking into doing a further investigation to see where tariffs may or may not be appropriate on semiconductor chips or the downstream components'.[5] On 13 April, Trump said there is no 'exception' for those semiconductor-related products. 'They are just moving to a different tariff bucket … in the upcoming national security tariff investigations'.[6] As of this writing, the US Commerce Department has formally initiated national security investigations into semiconductor imports under Section 232 of the 1962 Trade Expansion Act, assessing whether they pose a threat to US national security.[7]

Regardless of what new measures targeting semiconductors are introduced, early signs suggest that the Trump administration will expand the US–China trade war into a broader effort to restore US semiconductor manufacturing. While the specifics remain unclear, this piece will focus on how the increased tariff threats on the global semiconductor industry may affect semiconductor manufacturing ecosystems. In March 2025, TSMC announced plans to expand its investment in advanced semiconductor manufacturing in the US by an additional $100 billion. Adding to its ongoing $65 billion investment in Phoenix, Arizona, TSMC's total US investment is now projected to reach $165 billion.[8] With three new fabrication plants, two advanced packaging facilities, and a major research and development (R&D) center, this expansion stands as the most significant single foreign direct investment in US history. Does the assumption that a 100% tariff on semiconductors has 'compelled' Taiwanese companies to establish additional foundries in the US overestimate the importance of tariffs when chip manufacturers decide where to set up their chip foundries?

2. Semiconductor Trade Disputes in the IEL Context

A historical review of the US–Japan semiconductor disputes suggests a sense of *déjà vu*, as the ongoing tensions appear to follow a recurring pattern from the 1980s, now playing out in a modern context.[9] The *Japan–Trade in Semiconductors* case, which sought to address US concerns regarding Japanese semiconductor dumping and restricted access to Japan's market, was triggered by the EEC's challenge to a bilateral arrangement between Japan and the US. The 1986 US–Japan arrangement required Japan to monitor semiconductor export prices to prevent dumping abroad and to facilitate greater access for foreign semiconductor firms in the Japanese market.[10] The EEC argued that Japan's measures, in particular, government-led monitoring and administrative guidance on export prices,distorted international trade and violated various GATT rules, including Most-Favored-Nation treatment (Article I) and prohibitions against export restrictions (Article XI).[11] This case became a landmark in clarifying that even 'voluntary' or 'non-binding' government actions, when they restrict exports, can violate GATT Article XI. The Panel found that Japan's system of third-country market monitoring, though officially described as 'administrative guidance' of a soft law nature, effectively pressured Japanese companies to restrict exports and raise prices abroad.[12]

Why does a trade dispute from the 1980s still evoke a sense of déjà vu amid today's semiconductor tariff tensions? As Gantz noted in the early days of the WTO, the US–Japan semiconductor

[5]D. LaRoss (2025) 'Commerce Announces 232 Investigations for Semiconductors, Pharmaceuticals', World Trade Online (14 April 2025).

[6]Ibid.

[7]United States Department of Commerce, 'Securing the Information and Communications Technology and Services Supply Chain', www.commerce.gov/issues/ict-supply-chain.

[8]TSMC (2025) 'TSMC Intends to Expand Its Investment in the United States to US$165 Billion to Power the Future of AI' (4 March 2025), https://pr.tsmc.com/english/news/3210.

[9]Panel Report, *Japan–Trade in Semi-Conductors*, L/6309–35S/116 (4 May 1988).

[10]Ibid., paras. 10–32.

[11]Ibid., paras. 56, 78–79.

[12]Ibid., paras. 102–119.

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dispute presents several unique dimensions.[13] First, the 1986 bilateral Semiconductor Agreement between the two countries functioned as a suspension agreement for parallel US antidumping actions against Japanese Dynamic Random Access Memories (DRAMs). In other words, the US imposition of antidumping duties served as the 'threats' behind the bilateral negotiations.[14] Second, Japanese firms overwhelmingly relied on the US markets to export their products.[15] The 'success' of the US in the talks was mainly due to the leverage of its critical role in the electronics market for Japanese firms.[16] Third, while there was clear evidence of market access restrictions in Japan, many of these trade barriers were not readily actionable under GATT rules. In other words, the US government showed a marked willingness to pursue its perceived national interests, even if doing so risked violating GATT obligations.[17]

The unilateral tariff approach the US is pursuing today in semiconductor trade appears to echo the strategies employed in the 1980s. Notably, during the first two decades of the WTO, when the rules-based system remained largely effective, major disputes involving DRAMs primarily focused on trade remedies, particularly antidumping and countervailing measures.[18] These cases demonstrate that, within the WTO framework, governments–at least some–opted to address (unfair) trade practices in the DRAM sector through multilateral dispute settlement mechanisms, signaling a relative shift from unilateral or politically driven strategies toward a more rules-based, multilateral model. Regrettably, after three decades of efforts to establish a 'rules-based' WTO system, the pre-WTO semiconductor dispute between the US and Japan has once again become a valuable reference point in a world where US unilateral actions are resurging.

3. Can Tariffs Shift Fab Locations?

At the White House TSMC investment announcement in March 2025, US Secretary of Commerce Howard Lutnick openly stated that TSMC was increasing its investment in the US to 'avoid the tariffs' that the company 'would have to suffer' if it were not based in the US.[19] Does it make economic sense to believe that tariffs alone could reshape the landscape of the semiconductor industry?[20] Tariffs were intended to be used as a negotiating tactic. However, to what extent can semiconductor tariffs serve as a form of policy whiplash, pressing foreign companies to relocate their operations in response to

[13] D.A. Gantz (1999) 'Lessons Form the United States–Japan Semiconductor Dispute', *Arizona Journal of International and Comparative Law* 16, 91.

[14] Among other measures, the agreement's notable feature was Japan's commitment to 'impress upon Japanese producers and users of semiconductors the need to aggressively take advantage of increased market access opportunities' for foreign suppliers. Panel Report, supra n. 9, paras 13–15.

[15] In the 1980s, the US was Japan's largest export market for semiconductors, particularly for DRAMs. Leading Japanese companies, such as NEC, Toshiba, and Hitachi, exported significant volumes directly to US technology firms and consumer electronics manufacturers. Unlike today's model, where the US often serves as a downstream market for chips that are designed but not necessarily assembled or used domestically, Japanese firms at that time relied heavily on direct sales to the US market. See Semiconductor History Museum of Japan (1980s), 'Trends in the Semiconductor Industry', www.shmj.or.jp/english/trends/trd80s.html.

[16] Gantz, supra n. 13, at 102–104.

[17] Ibid., at 93–94.

[18] See e.g., Panel Report, *United States – Anti-Dumping Duty on Dynamic Random Access Memory Semiconductors (DRAMS) of One Megabit or Above from Korea*, WT/DS99. Panel Report, *United States – Countervailing Duty Investigation on Dynamic Random Access Memory Semiconductors (DRAMS) from Korea,* WT/DS296. Panel Report, *European Communities – Countervailing Measures on Dynamic Random Access Memory Chips from Korea*, WT/DS299. Panel Report, *Japan – Countervailing Duties on Dynamic Random Access Memories from Korea*, WT/DS336.

[19] 'Another Historic Investment Secured under President Trump', The White House (3 March 2025), www.whitehouse.gov/remarks/2025/03/remarks-by-president-trump-on-investment-announcement/.

[20] See, e.g., Apple Boosts US Investment Plans with $500 Billion Plege Amid Trump Tariff Threat, NBC News (24 February 2025).

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sudden policy changes? This paper argues that, alongside tariff threats, several equally–if not more–compelling factors are influencing TSMC's decision to invest in the US. The three key angles – supply chain resilience, government relations, and technological advancement- are explored below.

3.1 Supply Chain Resilience

Founded in 1987 and rising alongside the 'fabless revolution', TSMC has become into the world's largest pure-play foundry. Foundries develop advanced manufacturing processes that integrate billions of transistors into tiny chips. This division of labor between foundries and fabless companies has facilitated the growth of tech firms like Qualcomm and NVIDIA that focus solely on designing chips for technologies, including 5G, AI, and autonomous driving. TSMC distinguishes itself as the largest pure-play foundry that does not design its chips, thereby avoiding competition with its customers.[21]

The company once attempted to expand its manufacturing presence in the US but with limited success. In 1996, TSMC partnered with three customers to establish WaferTech, an 8-inch wafer fabrication plant in Washington State. The goal was to strengthen customer relationships through local production, and, notably, the investment proceeded without government subsidies or political pressure. However, production costs in the US turned out to be about 50% higher than in Taiwan, leading Morris Chang to later describe the effort as 'a wasteful and ultimately futile exercise'.[22] The investment in Washington back then was primarily aimed at serving customers locally. Similarly, TSMC's expansion in Arizona will not be taken lightly or driven solely by political pressure without strong customer backing.[23] After all, the company must carefully weigh challenges such as a limited skilled local semiconductor manufacturing workforce, cultural and language gaps on the fab floor, and higher costs due to strict environmental and safety regulations.[24]

However, apart from a few DRAM manufacturers, nearly all of TSMC's major customers are based in the US.[25] Driven by strong demand for high-performance logic chips from fabless customers such as Apple, Qualcomm, NVIDIA, and AMD,[26] TSMC today captures more than 67% of the global foundry market and accounts for well over 90% of the world's production of the most advanced semiconductors.[27] Such a concentration of supply sources has raised concerns about geopolitical risks among customers, including America's leading companies in AI and technological innovation. TSMC has had to respond by supporting efforts to diversify supply chains and reduce downstream risk exposure.[28] For example, in Apple's case, nearly all its chips are manufactured in Taiwan, naturally prompting concerns about geopolitical vulnerabilities. As a result, supply chain diversification

[21]Note that TSMC fabricates chips for its customers, which are generally fabless companies that design rather than manufacture their own semiconductors. TSMC operates as a pure-play foundry, concentrating exclusively on manufacturing chips designed by its customers. It does not engage in competing design efforts. See TSMC Arizona Corporation, Comments of TSMC Arizona Corporation on the Section 232 Investigation of Imports of Semiconductors and Semiconductor Manufacturing Equipment, Docket No. BIS-2025-0021 (5 May 2025), www.federalregister.gov/documents/2025/04/16/2025-06591/notice-of-request-for-public-comments-on-section-232-national-security-investigation-of-imports-of.

[22]Chin-Tay Shih, Tain-jy Chen, and Shu-Min Wu (2025) 'From the Periphery to the Core: How Taiwan's Semiconductor Industry Became the Heart of the World' (in Chinese), 305–307. Available at: https://bookzone.cwgv.com.tw/book/BCB874.

[23]Ibid.

[24]See, e.g., National Institute of Standards and Technology (NIST) (2024) 'US Department of Commerce, TSMC Arizona Community Impact Report' (15 November 2024), www.nist.gov/system/files/documents/2024/11/14/CHIPS%20for%20America%20TSMC%20Arizona%20Community%20Impact%20Report.pdf.

[25]Shih et al., supra n. 22, at 307.

[26]I. Lahiri (2025) 'Which Companies Will Be Impacted by Trump's Semiconductor Tariffs?', *Euro News* (15 April 2025), www.euronews.com/business/2025/04/15/which-companies-will-be-impacted-by-trumps-semiconductor-tariffs.

[27]See generally E. Blevins, A. Grossman, and K. Sutter (2023) 'Semiconductors and the Semiconductor Industry', Congressional Research Service (19 April 2023). Availalbe at: https://congress.gov/crs-product/R47508.

[28]H. Wai-chung Yeung, S. Huang, and Y. Xing (2023) 'From Fabless to Fabs Everywhere? Semiconductor Global Value Chains in Transition', Global Value Chain Development Report 2023 (World Trade Organization), 166, www.wto.org/english/res_e/publications_e/gvc_dev_rep23_e.htm.

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and resilience, which are increasingly demanded by TSMC's key customers, have become essential to its strategic direction. TSMC's recent announcement to increase US investment underscores its commitment to supporting these key customers by strengthening the semiconductor ecosystem and associating with the AI supply chain. This strategic focus also explains why TSMC declined proposals from Qatar and other Middle Eastern countries eager to develop their AI and semiconductor industries. Although several Middle Eastern nations have demonstrated strong interest and offered generous incentives for TSMC to set up local fabs, the region does not yet host major customers critical to TSMC's core business. In short, TSMC emphasized that its investment is largely driven by customer demand to advance the geographic diversification of its manufacturing operations, and this rationale appears well-founded.[29]

From another perspective, focusing on the supply chain's upstream, TSMC relies on a global network to source a wide range of specialized inputs, particularly from the US, Japan, and Europe. TSMC heavily depends on its upstream suppliers for equipment and materials, many of which are US-based. This has allowed the US to leverage and potentially weaponize upstream supply chains to influence TSMC's investment locations. This also sheds light on TSMC's strategic investments in Japan since 2021 and in Europe since 2023, although only a fraction of its US investment. The Kumamoto fab strengthens TSMC's position by deepening integration with Japan's ecosystem of optical materials and semiconductor equipment suppliers, which are critical to its manufacturing process. Similarly, the fab in Germany reinforces ties with ASML, the Dutch lithography leader whose tools are indispensable for advanced chip production.[30] These investment decisions reflect TSMC's strategic alignment with key upstream suppliers. After all, it is ultimately market forces and the structure of the supply chain ecosystem that shape TSMC's strategic decisions.

3.2 Government Relations

The looming antitrust investigation is another critical factor. As Trump openly stated, 'semiconductors are the backbone of the 21st-century economy … without the semiconductors, there is no economy … powering everything from AI to automobiles to advanced manufacturing … Taiwan pretty much has a monopoly on that market … They do have a monopoly.'[31] At the crux of the matter is whether TSMC's dominant share of the global foundry market places it at risk of becoming the subject of an antitrust investigation in the US? Note that US antitrust laws, particularly the Sherman Act, apply to foreign conduct that is intended to have, and does in fact have, a substantial effect within the US.[32] Cases involving foreign companies and the extraterritorial application of US antitrust law suggest that firms operating primarily outside the US, but engaging significantly in US commerce should be mindful of the potential enforcement actions available to US competition authorities.[33]

Nevertheless, antitrust enforcement in the US, which was handled mainly by the Department of Justice Antitrust Division and the Federal Trade Commission, is based on market behavior rather than investment amount. Even if TSMC builds more fabs and creates US jobs, it does not legally

[29]TSMC (2025) 'TSMC Intends to Expand Its Investment in the United States to US$165 Billion to Power the Future of AI' (4 March 2025), https://pr.tsmc.com/english/news/3210.

[30]A. Thadani and G. Allen (2023) 'Mapping the Semiconductor Supply Chain: The Critical Role of the Indo-Pacific Region', Center for Strategic and International Studies, CSIS (30 May 2023), www.csis.org/analysis/mapping-semiconductor-supply-chain-critical-role-indo-pacific-region.

[31]The White House, supra n. 19.

[32]G. Blum et al. (2025) 'Jurisdiction of Federal Courts in Actions Involving Extraterritorial Conduct Affecting Matters Regulated by Federal Antitrust Laws: Monopolies and Restraints of Trade', § 326, 54 Am. Jur. 2d (May 2025). (Explaining that the Sherman Act generally does not cover conduct related to foreign trade or commerce, except in cases involving import trade or when the conduct has a 'direct, substantial, and reasonably foreseeable effect on domestic or import commerce'.)

[33]J. Simmons (2018) 'What's in A Claim? Challenging Criminal Prosecutions under the FTAIA's Domestic Effects Exception', *Southern California Law Review*, 92, 127, 163.

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shield the company if authorities believe it engages in anticompetitive conduct. However, weakened ties with the White House could leave TSMC more vulnerable to regulatory scrutiny. As 'Chip War' author Miller rightly pointed out, TSMC's increased investment in the US could mitigate the US government's concerns about TSMC's market dominance by 'entering a partnership with the new US administration'.[34] Therefore, strengthening ties with the Trump administration becomes another critical consideration.

This intention is also reflected in TSMC's recent comments in response to the US Department of Commerce's Section 232 investigation, which underscore that the Arizona project is intended to involve close cooperation with the US government at the federal, state, and local levels.[35] By serving key American customers, aligning with US industrial policy objectives, and supporting security priorities, TSMC helps reduce both the economic and political incentives for aggressive antitrust action against it. Political actors are less likely to champion antitrust measures that could undermine domestic employment, technological leadership, or major investment flows. Deepening its US footprint thus positions TSMC more advantageously to shape the regulatory environment in its favor. In any event, expanding investments in the US creates a network of American 'stakeholders'. The more American firms have skin in the game, the greater the resistance within the US system to disruptive legal actions against TSMC.

3.3 Technological Advancement

High-tech companies today are working on two fronts: harnessing massive computing power to address AI challenges, while simultaneously developing algorithms that reduce the need for heavy computation.[36] If this trend continues, it is possible that in the coming years, the demand for AI hardware, including advanced chips, may not be as strong as initially anticipated. Arguably, this could lead to adjustments in hardware procurement plans and chip production orders.[37]

In this context, the decision to establish an R&D center in the US likely reflects broader strategic considerations. TSMC's expansion encompasses plans for three new fabrication plants, two advanced packaging facilities, and a major R&D center.[38] For the company, the new research center is expected to open new research directions, particularly in areas where the US maintains technological leadership. For decades, TSMC's competitive advantages have centered on large-scale manufacturing and exceptional yield rates. However, as noted by its former R&D director, TSMC often adheres to a 'hard work makes perfect' mindset,[39] placing greater emphasis on effort than on innovation. With the expansion of R&D operations in the US, TSMC's focus will naturally extend toward frontier technologies, developed in collaboration with leading universities and research institutions.

One such promising area is quantum computing. Establishing an Arizona-based R&D team could bring fresh perspectives centered on working smarter, helping to drive breakthroughs in quantum computing and AI. This strategic shift may also be an important factor behind TSMC's investment decisions aimed at accelerating the development and adoption of quantum technologies.[40]

[34]S. Scanlan (2025) '"Chip War" Author Says TSMC's US Investment an Extraordinary Success', *Taiwan News* (26 March 2025), www.taiwannews.com.tw/news/6068734.

[35]TSMC Arizona Corporation, supra n. 21.

[36]See e.g., United States Department of Energy (2024) 'Recommendations on Powering Artificial Intelligence and Data Center Infrastructure' (30 July 2024). p. 3–5.

[37]Cf., T. Sterling and N. Vifflin (2025) 'ASML CEO Makes Case that Deepseek is Positive for Chip Demand', *Reuters* (29 January 2025).

[38]TSMC, supra n. 29. This project is the largest single instance of foreign direct investment in US history.

[39]J. Lin (2025) 'Deep Dive: Is TSMC's $100b Investment Signalling a US Chip Revival?', *Digitimes* (5 March 2025).

[40]J. Chen (2024) 'Former TSMC R&D Director Konrad Young Advocates Taiwan–UK Collaboration in Quantum Tech', *Digitimes* (24 June 2024).

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4. The Chip War Continues

To conclude, the Trump administration's actions reflect a broader strategy to address the semiconductor trade. In addition to considering the replacement of the tiered export control system established under the Biden administration with a globally coordinated licensing regime,[41] it also seeks to leverage tariffs as a means to revive domestic chip manufacturing. TSMC's plan to expand its US investment highlights the potential disruptive impact of tariffs on the semiconductor ecosystem. Nevertheless, this article argues that while tariffs can influence investment decisions, Trump overstates their effects on fab locations and supply chain diversification. Trump believes, or at least pays lip services to the idea, that tariffs are the decisive factor for chip manufacturers in selecting locations for new semiconductor fabs. However, in reality, semiconductor manufacturers weigh a complex set of factors encompassing partners in the supply chain ecosystem, potential regulatory scrutiny, technological trends, and more. Tariffs are a factor, but tariffs alone are not enough to justify expanding the fab or choosing the US over Southeast Asia, such as Vietnam or Malaysia, for a new facility.[42] The analysis above reveals that the decisive factors are supply chain resilience demanded by key downstream customers, strategic alignment with primary upstream suppliers, relations with foreign governments to prevent antitrust investigations, and future technological advancements. In short, tariffs in and of themselves may not be a determinative factor.

As the semiconductor battle continues to evolve, three critical indicators in the coming months will offer insights into the direction of US trade policy under a renewed Trump administration. First, as mentioned above, the outcome of the Section 232 investigation is expected to trigger new tariffs on national security grounds, as signaled by the recent call for public comments.[43] Should that occur, as with previous challenges to the US steel and aluminum tariffs,[44] the central question will be whether such measures fall within the scope of national security exceptions. In light of WTO jurisprudence, it appears less likely that a panel would conclude the semiconductor tariffs were 'taken in time of war or other emergency in international relation'.[45]

Second, attention should also turn to the Section 301 investigation targeting mature-node chips from China, which could significantly reshape global supply chains. Citing China's non-market policies that enable its companies to expand capacity and undercut competitors with artificially low prices, raising concerns about economic coercion and supply chain vulnerabilities, USTR has launched a Section 301 investigation into Chinese government practices aimed at building a dominant semiconductor industry, particularly the (legacy) mature-node chip sector. The investigation could lead to broader actions beyond USTR authority, reflecting growing alarm over China's projected dominance in legacy chip production by 2029.[46]

Third, whether Trump will continue, modify, or abandon the Biden administration's semiconductor subsidy programs under the CHIPS and Science Act remains uncertain.[47] Biden's industrial policies, including the IRA and the CHIPS Act, emphasized incentives for both US and foreign firms. Early data suggest that the CHIPS Act is gradually contributing to US reshoring efforts. More than 90% of the allocated funding has been directed toward advanced packaging and the construction

[41] M. Cherney and Wen-Yee Lee (2025) 'Nvidia CEO Praises Trump Move to Scrap Some AI Export Curbs', *Reuters* (21 May 2025), www.reuters.com/world/china/nvidia-says-us-export-controls-ai-china-were-a-failure-2025-05-21/.

[42] Ezell, supra n. 2.

[43] US Department of Commerce (2025) 'Notice of Request for Public Comments on Section 232 National Security Investigation of Imports of Semiconductors and Semiconductor Manufacturing Equipment' (16 April 2025), www.federalregister.gov/documents/2025/04/16/2025-06591/notice-of-request-for-public-comments-on-section-232-national-security-investigation-of-imports-of.

[44] See e.g., Panel Report, *United States – Certain Measures on Steel and Aluminium Products* (*US–Steel and Aluminium Products*), WT/DS544/R, paras. 6.14–6.16, 7.113–7.114 (9 December 2022).

[45] Ibid., paras. 7.139–7.149.

[46] B. Fortnam (2024) 'USTR Launches Section 301 Investigation into Legacy Chinese Semiconductors', World Trade Online (23 December 2024).

[47] CHIPS Act, supra n. 1.

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of new foundries.[48] This strategic allocation reflects the policy's core objective, which is to rebuild the domestic chip manufacturing capacity. However, as noted earlier, decades of decline driven by the rise of the fabless model cannot be reversed overnight through subsidies alone. While US firms account for approximately 46% of global chip design revenue and 72% of chip design software and licensing sales, they produce only about 7% of global logic chip foundry output.[49] As a result, most US-designed advanced chips continue to be fabricated overseas, particularly by TSMC. This context raises the question of whether and how subsidies and tariffs will work together to revive the US semiconductor industry in the years to come. Although the specifics are still unclear, Trump has repeatedly criticized the CHIPS Act, pledged to renegotiate its key provisions, urged Congress to repeal it, and begun reassessing previously approved funding.[50] Even if the CHIPS Act moves forward, its implementation is likely to be a long and complex process. These developments, despite the surrounding uncertainty, will clarify the role of tariffs and industrial policy in the next phase of the chip war.

[48]C. Borges et al. (2025) 'Innovation Lightbulb: Tracking CHIPS Act Incentives', Center for Strategic and International Studies (CSIS) (25 April 2025), www.csis.org/analysis/innovation-lightbulb-tracking-chips-act-incentives.

[49]Ibid.

[50]B. Fortnam (2025) 'Lawmakers Warn Greer against Tariffs on Semiconductors', *Inside US Trade* (11 April 2025).

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