

Semiconductor Industry Policy Dynamics Under Trump 2.0— An Interview with Chris Miller

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Introduction

Chris Miller, author of *Chip War*, was invited by DSET for an in-depth discussion on the escalating U.S.-China technology competition and the potential return of the Trump administration. The dialogue examined the outlook for semiconductor policies under a Trump 2.0 administration, focusing on tariffs, export controls, the CHIPS Act, and the investment pressures and human resource challenges facing TSMC. Additionally, the discussion explored the threats posed by China's mature-node chips, loopholes in U.S. AI export controls, and how Taiwan can leverage supply chain shifts to seize strategic opportunities while deepening its cooperation with the United States.

Trump's Cabinet Picks and Semiconductor Policies

DSET: *Trump's nominees for National Security Advisor, Waltz, and Secretary of Commerce, Lutnick, have yet to express clear opinions on semiconductor policies. How do you foresee the future of export controls, tariffs, industrial policies, and the CHIPS Act?*

Chris: While cabinet picks may bring minor changes, the bipartisan consensus that began under Trump 1.0—"subsidizing domestic manufacturing" and "preventing technology transfers to China"—will remain largely unchanged.

Existing export control measures will continue, but the new administration will focus more on tariffs. They believe tariffs can effectively reduce dependence on China and encourage domestic manufacturing in the United States. A clear difference between the Biden and Trump administrations is that Biden focuses on specific areas of

dependence, such as electric vehicles, while Trump 1.0 viewed any Chinese-manufactured imports as potential risks. I believe this approach will persist in the future.

The new administration sees industrial policy as problematic, as companies often lobby for subsidies, forcing the government to allocate funds. Trump's government favors imposing tariffs directly on China, creating strong financial incentives for companies to invest outside of China. Republicans have always been conservative about cash subsidies under the *CHIPS Act* and generally favor tax credits. The current tax credit policies are set to expire at the end of 2026, and Congress is expected to pass legislation to extend or make these credits permanent. This remains a form of industrial policy, albeit in a different format.

Tariffs and the CHIPS Act

DSET: Regarding controls on mature-node chips, you previously mentioned several approaches. Should the US impose tariffs solely on Chinese chips or on electronic products containing these chips? Alternatively, should the US completely ban Chinese chips from critical sectors? So far, there hasn't been much progress in this area. Some have also debated implementing export controls on mature-node chips. What are your thoughts?

Chris: I believe component-based tariffs are achievable. During Trump 1.0, tariffs did not fundamentally change the supply chain; companies simply shifted the final assembly to Vietnam. Component-based tariffs are more targeted and can have a greater impact on supply chain decisions.

On banning Chinese chips from critical sectors, I also believe we will see progress soon. The Information and Communications Technology and Services (ICTS) rules allow the US government to ban any suspicious electronic products from entering critical industries. This rule has already been confirmed and is in the regulatory process. I believe the Biden administration may finalize this regulation before the end of its term.

I think it is highly unlikely that comprehensive export controls will be implemented, at most small-scale incremental controls. This is primarily because the industry

believes comprehensive controls would cause significant financial harm. Moreover, as targeted technologies become less advanced, the industry structure becomes more complex, and the government's ability to enforce controls diminishes.

Huawei Incident and Export Control Loopholes

DSET: What are your thoughts on the recent incident involving TSMC's advanced chips flowing into Huawei? Do you have any recommendations for improvement?

Chris: This incident reflects a significant compliance failure on TSMC's part. TSMC needs to invest more in compliance management to detect such issues and prevent similar cases. Given that the supply chain for advanced chips is relatively straightforward, there should be more robust mechanisms to track chip flows. Insufficient compliance investment is a common industry-wide problem. I believe governments should impose higher fines to create stronger incentives for companies to establish effective compliance mechanisms and fundamentally prevent such issues.

DSET: The Financial Times recently reported that Chinese or China-linked organizations are remotely accessing US AI servers, which is viewed as a loophole in the current "small yard, high fence" AI export control framework. What is your view on this?

Chris: Many believe such remote access should be banned. However, there is an argument against a comprehensive ban: having Chinese companies pay US cloud providers, rather than Chinese providers, may not be a bad outcome. I believe this could be why this so-called "loophole" remains intentionally unaddressed. This may become a core issue for the next administration.

Beyond a comprehensive ban, there is also discussion about establishing appropriate regulations to minimize any adverse effects of this potential loophole. For instance, the US Department of Commerce is currently discussing a rule that would ensure a maximum computing threshold for Chinese access to US cloud computing services, preventing them from conducting significant AI system training.

Human Resources and Immigration

DSET: Friction between TSMC and the US partly stems from human resources issues. TSMC tends to favor hiring Taiwanese graduates from US universities. However, as TSMC requires more talent, they have also started recruiting top American graduates. Do you foresee future friction in this regard? Will Trump impose stricter requirements to force companies to hire more Americans?

Chris: Trump has expressed support for increasing H-1B visas during his campaign, and Republicans have also frequently supported this idea. However, the reality is that such reforms require congressional approval, and it is extremely difficult to pass immigration reform in Congress. I expect Congress will not take major actions on immigration, so there will likely be no significant changes to H-1B visa or other high-skilled immigration pathways. Trump will undoubtedly make public statements about creating jobs for Americans. Chip companies will hope for greater flexibility in importing talent, but Congress is unlikely to improve the system. While this status quo is imperfect for the industry, it remains tolerable.

Recommendations for Taiwan's Government

DSET: What recommendations would you make for Taiwan's government to prepare for Trump 2.0, particularly regarding new tariffs, pressure from the US government, or demands for increased TSMC investment?

Chris: No country welcomes the threat of tariffs, but as the electronics supply chain shifts, US and Taiwan goals have significant overlap. A relevant data point is the change in global server exports over the past three years. Three years ago, China led in server exports, followed by Mexico, while Taiwan lagged far behind. Today, Taiwan has rapidly risen to near the top, thanks to Nvidia and TSMC. Additionally, we've seen significant moves by Apple in India and Google assembling phones there, which also impacts Taiwan. While these impacts vary across companies, there is much room for cooperation between the US and Taiwan. If the US imposes more tariffs on China, it will further accelerate supply chain shifts.

Taiwan should build consensus with like-minded countries facing similar challenges from China. In this process, challenges and opportunities coexist. While the media may focus 90% on the challenges, there are notable opportunities worth pursuing. I am particularly interested in these opportunities because, like it or not, tariffs will be implemented. We must find ways to derive strategic value from the resulting supply chain shifts, rather than allowing companies to randomly change assembly locations. The US and Taiwan should seriously discuss what the supply chain will look like in five years, what goals we hope to achieve, and how to realize them.