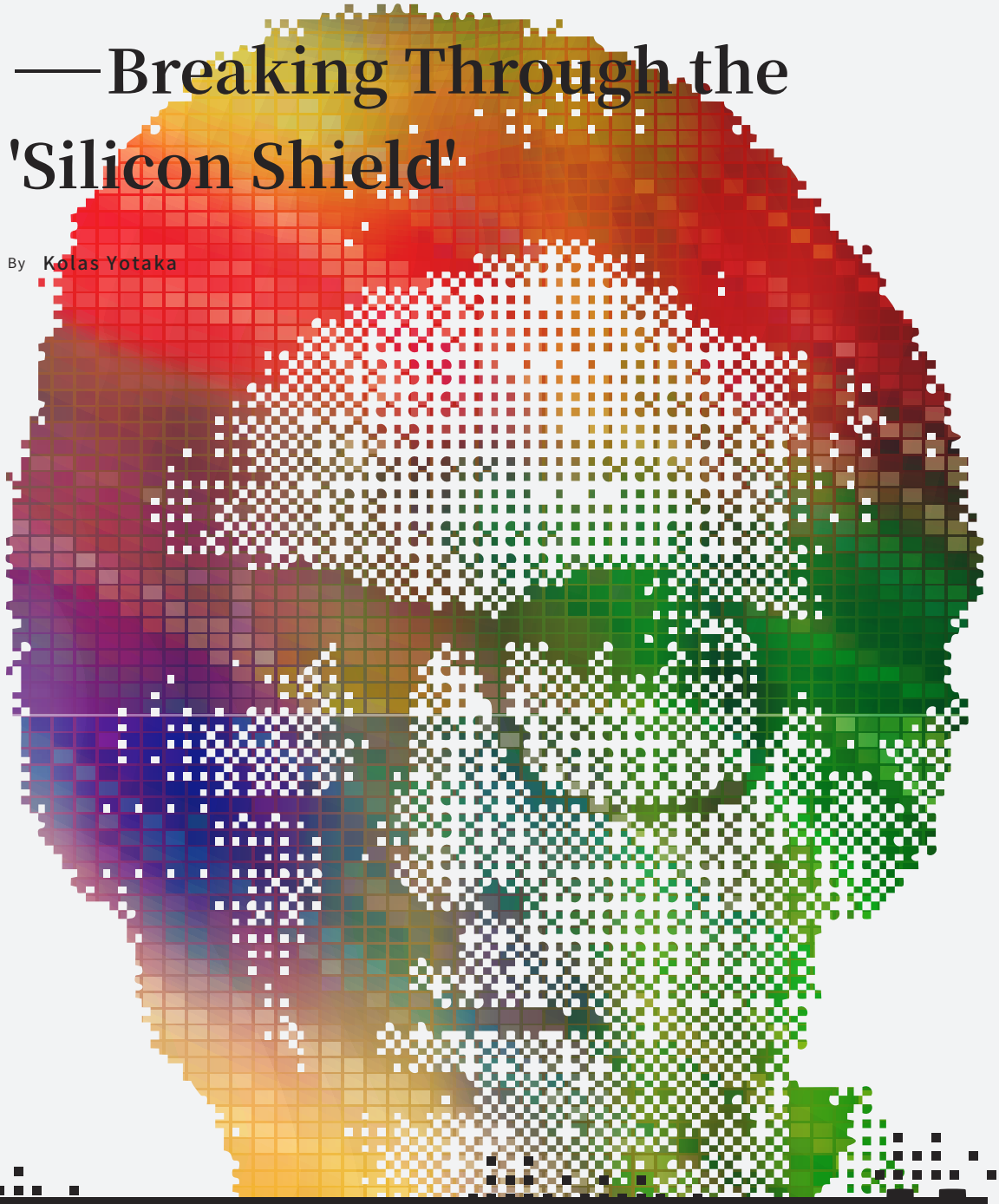
Kolas Yotaka & Friends ——Breaking Through the 'Silicon Shield'

By Kolas Yotaka



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Breaking Through the 'Silicon Shield': Kolas Yotaka Talks with Chris Miller

By **Kolas Yotaka**

Taiwan's semiconductor industry has long been optimistically described as a “Silicon Shield.” Proponents of this view believe that the presence of TSMC in Taiwan deters the Chinese Communist Party from launching an attack. However, after taking office, U.S. President Trump has repeatedly stated his intention to bring Taiwan's “Silicon Shield” to the United States. In February 2025, Trump announced that starting in April, the U.S. would impose a 25% tariff on imported chips. Companies wanting to avoid these tariffs were encouraged to quickly establish production facilities in the United States. In early March, Trump invited TSMC CEO Mark Liu to a press conference at the White House, where it was officially announced that TSMC would invest at least 3.3 trillion NTD (100 billion USD) to produce in the U.S. its most advanced chips. Trump also remarked that “tariffs” are the most effective tool in the arsenal of economic measures, and that TSMC only agreed to invest in new facilities in the U.S. to avoid being subjected to tariffs of 25%, 50%, or even 100%. Trump proudly proclaimed that from now on, the U.S. would claim a significant share of TSMC's market share, potentially securing nearly 40% of global chip production capacity. Trump asserted that the chips the U.S. needs should be produced domestically.

For many years, the United States has imported a significant volume of chips, which are used not only in consumer products such as smartphones but also in military hardware equipped with AI capabilities, such as missiles. It is generally believed that President Trump's real objective goes further than simply imposing tariffs; “tariffs” serve as a tool for negotiation. The ultimate goal is to disrupt the existing business model of the semiconductor supply chain, breaking the current concentration of advanced chip production in Taiwan. This is to prevent any potential crisis in Taiwan from jeopardizing U.S.



Kolas Yotaka

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chip supply. Hence, there is pressure on chip manufacturers from various countries to establish production facilities in the United States, bringing advanced manufacturing processes and packaging technologies with them. The aim is for the U.S. to reconfigure a semiconductor revenue distribution model prioritizing American interests, thereby advancing the goal of self-sufficiency.

While Trump's America First stance is to be expected from a U.S. president, the abrupt manner in which he is implementing his campaign promises has caused significant anxiety in Taiwan. For Taiwanese, TSMC is not just any company; it is a vital contributor to the nation's GDP, a stabilizing pillar of the stock market, and is viewed as a "Silicon Shield" that safeguards national security. As anxiety builds, many start to rationalize the situation. For instance, some may reassure themselves with statements like, "The notion that 'TSMC will become AMSC' is merely Chinese propaganda!" or "We still don't know if the tariff will be 25%, 50%, or 100%, so let's stop spreading negativity!" Others say, "The U.S. will ultimately harm itself!" or "Our chips are just components, not finished products, so we won't be impacted!" and "TSMC will simply pass the tariffs onto buyers, leaving Taiwan's economy unharmed!" Furthermore,there are claims that imposing tariffs on TSMC will only lead to domestic inflation in the U.S., which will cause them to back off or face repercussions. Meanwhile, Taiwan's Ministry of Economic Affairs has been working diligently to reassure the public, frequently stating that Taiwan's semiconductor industry will remain unaffected by shifts in U.S. policy. Nevertheless, some companies have already begun investigating the possibility of setting up production facilities in the United States. On the day Trump announced TSMC's investment in the U.S. alongside Chairman Mark Liu,

TSMC's stock plummeted below 1,000 NTD at open, contributing to a 400-point drop in the Taiwan stock market.

How can we manage this anxiety? Perhaps the question that we should be asking is this:

Is the "Silicon Shield" real?

I think our understanding of this question could benefit from the insights of Chris Miller, an expert in both military history and the history of semiconductors, and the author of "*Chip War*". **He considers the notion of Taiwan's "Silicon Shield" to be unrealistic, and argues that the semiconductor supply chain should not be disproportionately concentrated in one country.** These views differ significantly from the one-sided reports of much of the media here, and are not what most Taiwanese people want to hear.

Before starting to write this special report, I had briefly met Chris Miller, author of '*Chip War*,' in work-related settings in Taiwan. Over the last year I had the opportunity to travel back and forth between Taiwan and the United States, and I was glad to be able reconnect with him for a more in-depth conversation.

My two most recent meetings with Chris took place once before the 2024 U.S. presidential election, when Chris was a guest lecturer in my class and I had a brief conversation with him after his talk; the other was after Trump had been elected. Since Chris happened to live in Boston, I used my free time to finally have an extended discussion with him outside of class. This allowed us to engage the topic without the pressure of needing to greet others or shake hands, making our conversation more relaxed and informal.

It turns out that Chris not only teaches "International History" at Tufts University's Fletcher School, specializing in technology, geopolitics, international economics, and Russian affairs, but he also serves as a senior fellow at the American Enterprise Institute in Washington, D.C. He also holds a position as a visiting lecturer at the Davis Center for Russian and Eurasian Studies at his alma mater, Harvard University. In fact, Chris studied history at Harvard during his undergraduate years, so he is very familiar with the campus and can be considered a 'Harvard expert'. Actually, since he is still a visiting lecturer at the Harvard Davis Center, he has an office there. Boston and Cambridge are his home environment.

On the Sunday we met, although the temperature hovered near freezing, there was sunshine, which made it feel relatively warm. After spending the morning with his kids, he took an Uber from Boston in the afternoon for our appointment. I walked from my nearby residence in Boston along the Charles River to Harvard Square in Cambridge, where we arranged to meet at a cafe we often pass by. As soon as I saw him, I handed him a package of Taiwanese high-mountain green tea. He treated me to a cup of American Earl Grey tea, and we started chatting.

Now that the results of the U.S. election were known, and uncertainty he'd been removed, it seemed that we could finally move forward in our discussion without being distracted by the uncertainty or the overly dramatic political theatre that surrounds a presidential campaign. I was, of course, concerned about the shift in U.S. policy toward Taiwan following Trump's return to the White House, as well as the subsequent developments regarding TSMC's move to the U.S.; he, on the other hand, focused on the connections within the drone industry supply chain highlighted by several significant global conflicts. Naturally, it all comes back to chips.

Human technological progress is closely linked to war. One reason the U.S. invited TSMC to move to America was to prevent disruptions to the global chip supply in the event of a conflict in the Taiwan Strait. Now, following "*Chip War*," Chris Miller is also conducting research on the drone industry. During our time after class, we discussed Trump's claims about "Taiwan stealing chips," whether the economies of scale enjoyed by TSMC could be replicated in the U.S., and touched on China's "Made in China 2025" initiative, along with the impact of DeepSeek on the chip and AI sectors. Chris also shared that he has already observed an impending new wave of geopolitical tensions driven by the drone industry supply chain.

Just as my class ended and I was waiting for the next session to begin, I was already eager to read his next book.

CHIP WAR

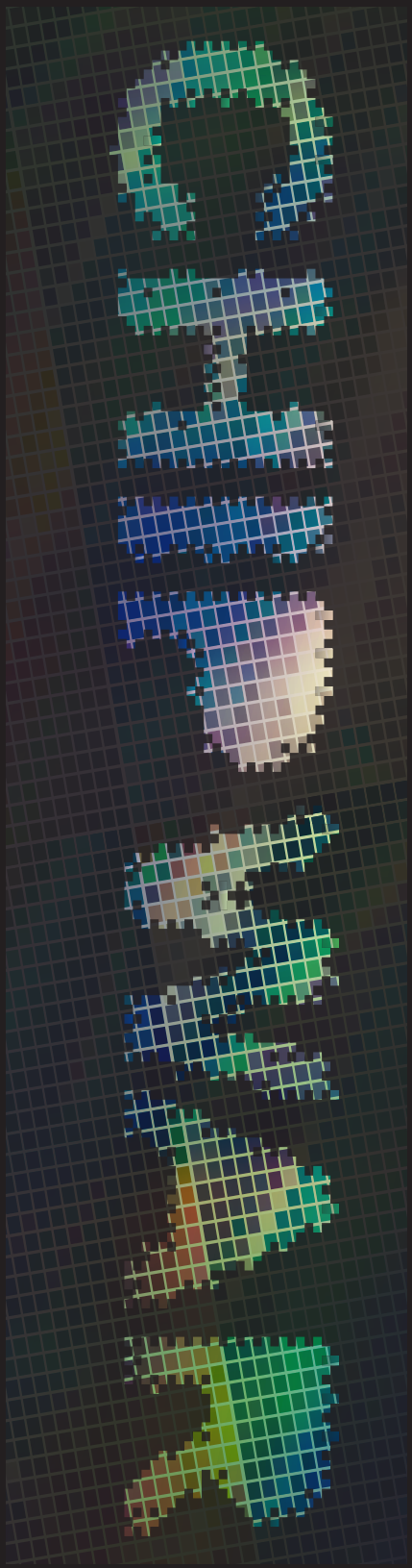
Can the 'Silicon Shield' Save Taiwan? ‘Chip War’ Author Chris Miller: “Far From Guaranteed”

By **Kolas Yotaka**

When I asked Chris Miller what he thought of claims that Taiwan, because of TSMC, holds a “Silicon Shield” that prevents the Chinese Communist Party from daring to attack, he responded without hesitation, “This has been far from guaranteed.” Chris believes that China's nationalism and aggressive ambitions are preventing them from being rational in their economic decisions. Taiwan must always prepare for the worst and strengthen its national defense.

When Trump was inaugurated for his second term, the ceremony had to be moved indoors due to an unusual cold snap. Following the inauguration, when Trump officially took office, an unprecedented global political upheaval was triggered. Domestically, Trump issued an executive order to create a temporary organization called the “Department of Government Efficiency” (DOGE), appointing tech magnate Elon Musk as its head, with the goal of slashing $1 trillion (approximately 34 trillion New Taiwan Dollars, roughly Taiwan's entire national government budget for a decade) from government agency budgets, and firing over 2 million U.S. federal employees. Among those targeted for termination were those deemed by the Trump administration to be disloyal, pro-Democrat, or hired on the basis of being minorities, including African-Americans, Latinos, and transgender individuals. Virtually the entire staff of USAID, key personnel at the Department of Defense and the State Department, including sensitive agencies like the Atomic Energy Commission and the CIA, were also terminated. Many of the targeted organizations were established after World War II during the Cold War to counter the communist Soviet Union. Now, as the U.S. seemingly weakens itself, China and Russia likely look on with hidden delight.

Under Trump's leadership, the U.S. began distancing itself from its allies, loudly proclaiming “America First” and “Put American taxpayers first,” aiming to gain domestic support by legitimizing these moves. However, the call for “America



First” has immediate consequences for Ukraine and Taiwan. In Ukraine's case, the Trump administration leans on “America First” to argue that the problem should be left to Europe to handle, thereby accelerating the U.S. withdrawal of military and financial support for Ukraine in its conflict with Russia. As for Taiwan, “America First” is leading the Trump administration to speed up the relocation of the semiconductor industry to the U.S., demanding that advanced chips needed by the U.S. be produced domestically rather than in Taiwan. If not, a 100% tariff will be imposed on all imported chips to prevent Taiwan from “stealing our chips.”

In 2001, an experienced Australian journalist, Craig Addison, published a book titled “Silicon Shield: Taiwan’s Protection Against Chinese Attack.” The book discusses how Taiwan's crucial semiconductor industry significantly impacts global economic development, suggesting that China would not dare attack Taiwan. Even if China had the motivation to invade, other countries would be willing to protect Taiwan, the chip producer, to safeguard their own economies. This is roughly the argument presented. Upon its release, whether seen as a valid assertion or an excess of praise, the book was largely harmless. It made people happy, boosted the collective self-esteem and confidence of Taiwanese citizens, and there was no real downside. However, this theory is merely one perspective on cross-Strait relations.

Does the “Silicon Shield” really exist? In reality, China's motivation for invading Taiwan has not diminished significantly, and other countries remain ambiguous

about whether they would deploy troops to defend Taiwan. For instance, at the end of February 2025, the Chinese Communist Party carried out unannounced "live-fire training exercises" approximately 40 nautical miles off the coasts of Kaohsiung and Pingtung. They claimed it was an internal matter, stating, "This is not a diplomatic issue," and therefore did not notify Taiwan, breaking a long-standing practice of mutual notification before military exercises. Meanwhile, Trump has been asked multiple times by the media if his administration would defend Taiwan, but he has never given a straightforward answer, often choosing to focus instead on his "good relationship" with Xi Jinping. Then, in March 2025, Trump announced with great satisfaction that TSMC would invest another $100 billion in building facilities in the United States, effortlessly taking the "Silicon Shield" away from Taiwan. Trump stated that all these arrangements were made for America's "national security."

But what about Taiwan's "national security"?



China is not being rational. The 'Silicon Shield' concept is naive.

In the final section of Chris Miller's breakout book "*Chip War*," titled "Taiwan's Dilemma," he mentions that when the chairman of TSMC at the time, Mark Liu, was asked whether he was concerned that the security situation in the Taiwan Strait would affect TSMC's economic outlook, he responded, "Regarding China's invasion of Taiwan, I can tell you that everyone hopes for peace in the Taiwan Strait." Chris Miller candidly stated in the book that "his (Liu's) ability to assess the risk of war remains to be seen." The book also references an article by Taiwan's President Tsai Ing-wen in Foreign Affairs, where she argues that Taiwan's chip industry serves as a "Silicon Shield," allowing Taiwan to avoid attacks. However, Chris Miller's comments on this assertion are not far from his remarks about former TSMC chairman Mark Liu, stating that President Tsai's viewpoint is "a very optimistic perspective." He argues that the current crisis in the Taiwan Strait is more dangerous than it was in the 1950s, to the point of posing a risk of nuclear conflict, and hence, a mere "Silicon Shield" cannot effectively deter the threat.



When I asked Chris Miller if some people claim that because Taiwan has TSMC, it holds a "Silicon Shield" that deters the Chinese Communist Party from attacking Taiwan, he responded without hesitation, "This has been far from guaranteed."

"The "silicon shield" hypothesis assumes that China – even in a crisis – will act economically rationally. Yet this has been far from guaranteed. If China were solely pursuing economic growth, it wouldn't have foreign policy crises with many of its neighbors. You can't explain the pressure China places on the Philippines in the South China Sea by looking at GDP growth or tech stocks—it's about nationalism and aggression. So I don't think we should assume economic rationality. We must prepare for worse scenarios."

Optimists believe that no one wants to destroy Taiwan's complete semiconductor supply chain, but they fail to recognize that while everyone wishes to preserve it, many also wish to own it. Both the United States and China seek to expand their control over the semiconductor industry's supply chain, and we are currently seeing this scenario unfold. Is the concentration of chip production in any specific country an unalloyed good? Chris, who has visited Hsinchu Science Park, is in awe of Taiwan's complete semiconductor ecosystem. He has visited countries around the world that produce semiconductors and is amazed by the extraordinary scale of Taiwan's semiconductor supply chain. He believes that Taiwan's semiconductor industry is unique in the world, and throughout his research career, he has never seen such a remarkable and comprehensive semiconductor ecosystem. No other country's semiconductor industry can match the scale of Taiwan's. But for Chris this also raises concerns.

"Yes, I remain concerned about overconcentration."

In Chris's view, whether for economic, business, or national security reasons, putting all your resources into a single entity is always a risky move.

"Taiwan's and TSMC's success has produced extraordinary concentration in the market. I don't blame TSMC for this – I admire their success. But when it comes, for example, to pro-

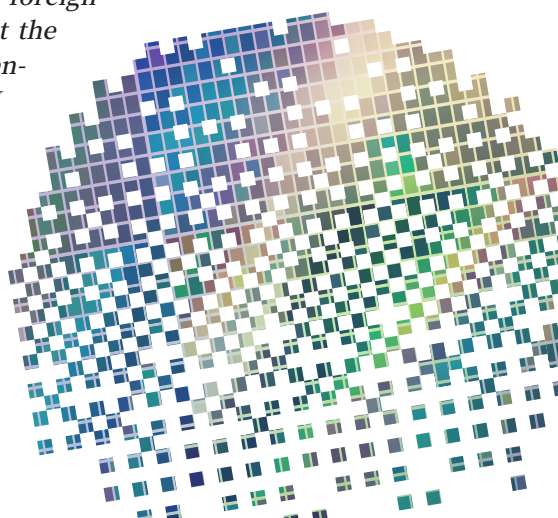
ducing high end GPUs, almost all are manufactured in Taiwan. Saudi Arabia produces less than 15% of the world's oil. I think it is reasonable to simultaneously admire TSMC's success and wish for a more geographically diversified supply chain."

Chris politely points out that, while Saudi Arabia is referred to as a major oil-producing nation, it only accounts for 15% of the world's oil supply. Currently, 90% of high-end semiconductors are concentrated in Taiwan, including smartphone processors, AI graphics processing units (GPUs), and personal computer chips, all of which are manufactured there. Unfortunately, Taiwan continues to face the risk of conflict, which is understandably a concern for the outside world. It's important to remember that Chris is an expert in military history.

"I think investors have to be realistic and need diversified supply chains. If Google ran all of Gmail out of a single datacenter, users would ask legitimate questions about whether it is resilient to disasters. The chip industry requires similar geographic diversification."

In 2023, when Chris came to Taiwan to share the stage with Morris Chang during the promotion of the Traditional Chinese version of his book "*Chip War*," he heard Morris Chang, who has witnessed multiple changes in government leadership across the U.S., China, and Taiwan, declare that "globalization is dead." For decades, the semiconductor industry has indeed witnessed significant global transformations, with dramatic geopolitical shifts and governments intervening in the distribution and profits of the semiconductor supply chain. This led Morris Chang to lament that "globalization is dead" and "free trade is dead," as government intervention, regulations, and tariff policies have constrained the semiconductor industry's freedom to grow. Morris Chang's words still resonate, yet Chris continues to disagree with this perspective. He believes that globalization is not dead; it is merely evolving.

"If globalization were dead we wouldn't see some countries experience historic foreign investment flows. We wouldn't see Taiwan's trade with the U.S. reach record highs. We wouldn't see record foreign investment inflows to Malaysia. What's changed is that the China-West economic relationship is now longer deepening and, in some spheres, it is starting to fragment. But I think it is wrong to equate 'globalization' with 'China.'"



The United States cannot yet put up its own 'Silicon Shield'.

In early March 2025, U.S. President Trump proudly announced that TSMC would invest further in the United States. Unlike the Biden administration, which offered subsidies to encourage TSMC to come to America, Trump believes that his tariff threats have worked, resulting in TSMC investing $100 billion in the U.S. on its own. This move not only creates tens of thousands of job opportunities in the U.S. but also helps diversify TSMC's market share, with estimates suggesting that U.S. based production could become more than 40% of the global chip market. However, while countries other than Taiwan welcome the diversification and decentralization of the chip supply chain, can the U.S. really handle this market?

Morris Chang openly admitted that TSMC's pas experience in establishing factories in the U.S. has not been smooth. Their first attempt in 1995 faced “cost issues,” “talent issues,” and “cultural issues.” Jumping ahead to the 21st century, when TSMC went to Arizona and again attempted to establish a plant, the same problems persisted. Chris pointed out that although the U.S. is eager for TSMC to move operations there from Taiwan, the lack of diverse talent will continue to be a reason why the U.S. struggles to catch up with Taiwan.

“I think labor costs are certainly part of the question, but they’re declining in importance over time. Taiwan’s competitiveness, for example, isn't primarily about labor costs—it is about specialization and economies of scale. I think the Trump Ad-

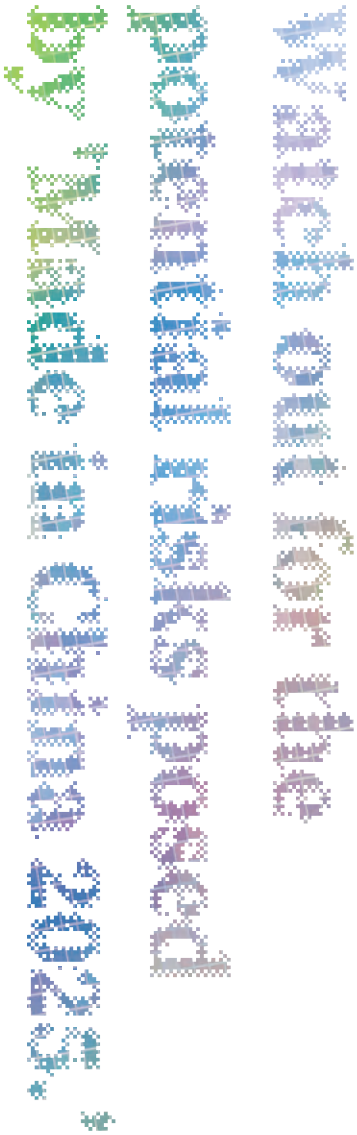
ministration is going to continue efforts to diversify supply chains, but the U.S. will face tough tradeoffs. Diversification is very rarely cost free, and we need to be strategic about which supply chains to diversify and which supply chains are already sufficiently resilient."

According to Chris, the ability to achieve "mass production" in the chip industry is essential for cutting labor costs, but the United States in the Trump 2.0 era still struggles to catch up to the production scale of other countries.

"Economies of scale still matter. I think the U.S in a better position today compared to five years ago, but countries like Taiwan and Korea have much more scale—and thus lower cost structures."

It has long been the U.S.' goal to limit China's influence. Not only did Vice President JD Vance emphasize at the "Paris AI Action Summit" in February that the Trump administration would ensure the strongest AI systems are manufactured in the U.S., using chips that are designed and produced in America, but it also seems that Trump wants to create a version of the "Silicon Shield" for the United States.

In early March, when Trump announced that TSMC would increase its investment in U.S. production, he bluntly stated that Taiwan indeed monopolizes the market, and that the U.S. must break this monopoly in order to protect American interests:



"As you know, Taiwan pretty much has a monopoly on that market. And I think "pretty much" is not a term that's even appropriate. They do have a monopoly. And this is a tremendous move by the most powerful company in the world.

It's a matter of economic security. It's also a matter of national security for us. And, at the same time, Mr. Wei (CEO of TSMC) will be able to diversify and have his tremendous presence in another place and a very safe place (the U.S.)."

After Trump returned to office, the appointments of his economic officials in the Cabinet seemed almost entirely aimed at China. Whether it's Landon Heid, the Assistant Secretary for export controls at the U.S. Department of Commerce, or Jeffrey Kessler, the Director of the Bureau of Industry and Security, both are "China hawks" viewed as likely to take strong actions against China. Recently, the Trump administration announced comprehensive export controls on AI chips to China, intending to fully ban American AI chips from entering the Chinese market. In particular, during a Senate confirmation hearing on February 27, Kessler expressed concerns about TSMC's chip supplies flowing to Huawei, emphasizing that the U.S. must enforce strict regulations. Yet, does the combination of seizing assets and imposing blockades effectively secure continued American semiconductor technology superiority over China?

"I think the right way to phrase it is: the combined partnership of the U.S, Taiwan, Japan, the Netherlands and South Korea will stay ahead of China. I think they will—but the ability to capitalize on expertise from all these partners is critical."

It is clear that Chris believes the "Silicon Shield" cannot be upheld by a single manufacturer or a single country; it requires a collective effort from a group of people. Going it alone makes it difficult to achieve significant progress.

Watch out for the potential risks posed by 'Made in China 2025.'

In 2015, Chinese Premier Li Keqiang proposed a 30-year transformation plan for the manufacturing sector aimed at positioning China as a "manufacturing powerhouse" to break the stereotype of China producing "low-cost" products through "low labor" and "low technology." This led to the introduction of the "Made in China 2025" initiative, which encompasses a three-step plan: the first phase from 2015 to 2025, followed by the second and third phases from 2025 to 2035 and 2035 to 2045 (with 2045 marking the 100th anniversary of the founding of the People's Republic of China). The goal is to make China a dominant global technology superpower. The authoritarian Communist Party of China has a 30-year plan to strengthen the nation and its military, and is committing substantial budgets to both hardware and software development, claiming it aims to compete with democratic blocs. This is quite concerning.

In early February 2025, the Chinese AI company DeepSeek launched a chatbot, causing a stir in global stock markets. It was originally thought that the U.S. led the world in AI technology, with OpenAI taking the lead; however, it was unexpectedly surpassed by a relatively unknown Chinese company, DeepSeek. The language learning model from DeepSeek was released at a lower cost, with the company emphasizing that it is entirely made in China. The GPUs used are sourced from China, and during operations, they consume less power and rely on fewer

high-end chips, claiming to achieve a level almost comparable to that of OpenAI, thus breaking the pathway for "computational power" and offering a more cost-effective option for the global AI market. Once this news broke, global stock markets plummeted, and Trump stated that the emergence of DeepSeek was indeed a wake-up call for the United States.

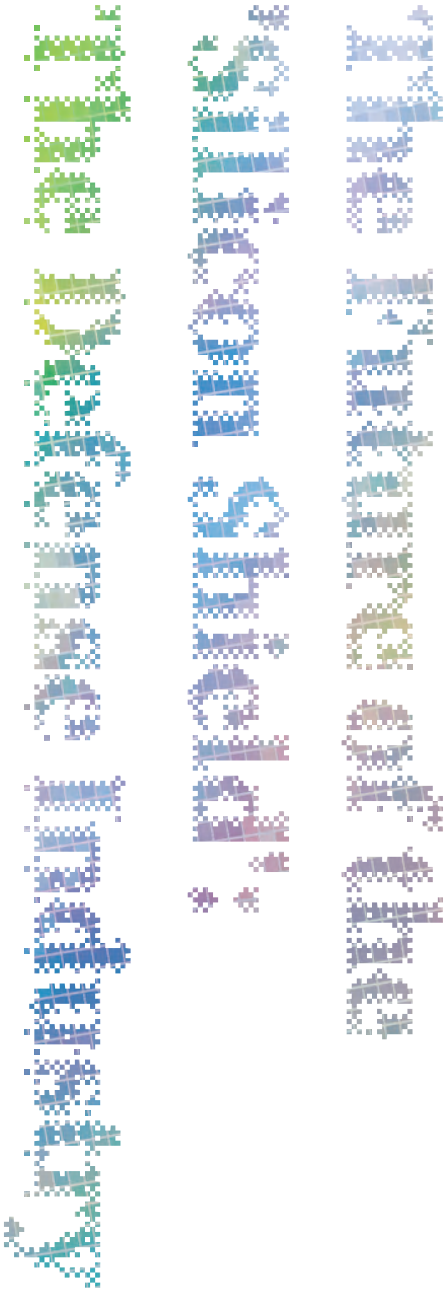
But Trump remains confident, believing that DeepSeek does not pose a threat to national security. He states, "This is an emerging technology. In fact, I think we will benefit from it." His instinctive business mindset perceives cheaper AI as a positive development. "I think this is a very good development," Trump remarked. He quickly set aside the national security concerns. However, Chris cautioned that the emergence of DeepSeek should prompt both Taiwan and the U.S. to be vigilant, especially regarding the national policy of "Made in China 2025."

"Yes, we should worry. China's industrial policies aren't perfect, but China has caught up technologically in almost every manufacturing sector. Chips are one of the rare exceptions. Semicondcutor manufacturing is, of course, extraordinarily difficult to replicate. However, the combination of China's government spending and the size of the Chinese market mean that we must take seriously their capabilities."

With the emergence of DeepSeek in China, which claims that its chips and GPUs are domestically produced, it seems that "Made in China 2025" is starting to yield results. U.S. President Trump has also proposed large technology initiatives, such as the StarGate project, demonstrating his determination to convince the world that the U.S. will maintain its leading position in the field of artificial intelligence. Both the U.S. and China need to showcase their domestic production and self-sufficiency capabilities. The competition between the U.S. and China raises the question of whether it will lead to a split in the existing chip supply chain into two systems: one for China and one for non-China. Chris believes that, in the short term, despite China's unilateral ambitions to grow stronger, it will still be unable to catch up.

"I disagree with DeepSeek. The analysts I most trust believe the company had access to up to 50,000 GPUs from Nvidia. China continues to import large volumes of Nvidia H20 chips. DeepSeek's CEO has repeatedly publicly said his number one problem is access to high end chips. China's still not self sufficient at the cutting edge. The main reason is the US and Dutch restrictions on selling chipmaking equipment like lithography tools. Without those restrictions, SMIC would have made much more progress in catching up."

The Future of the 'Silicon Shield': The Defense Industry



Drones controlled by artificial intelligence, lethal autonomous weapon systems, and new types of nuclear arms have become standard features of the “new Cold War.” Chris, a historian specializing in military history, has noted that most significant technological advancements throughout history have been driven by warfare. He has observed that in the conflicts in Ukraine and between Israel and Palestine over the past three years, the development of drones has become the latest evolution in national defense.

These recent wars have combined some very old trends, like the World War I-style trench warfare in the Russia-Ukraine conflict, with some new 21st century dynamics. Many analysts have noted the role of UAVs in both reconnaissance and strike operations in both conflicts. I’ve also been impressed by the central role of tech-enabled intelligence in enabling Ukrainian and Israeli operations.

According to a New York Times article from March titled “A Thousand Snipers in the Sky—Ukraine's New War,” which provides an in-depth report on the situation in Ukraine, multiple Ukrainian commanders were interviewed, and most indicated that a majority of kill missions are now carried out by drones. In three years, 70% of the casualties in the Russia-Ukraine conflict have been caused by drones. Remote-controlled killing has turned drones into nightmares for both sides, and this dramatic shift is changing the nature of future warfare. If the U.S. withdraws military aid

to Ukraine, it will force both sides to adapt their warfare strategies, leading to an increased, rather than decreased, demand for relatively cost-effective drones. These harsh precedents have already altered the nature of warfare and should raise significant alert for Taiwan.

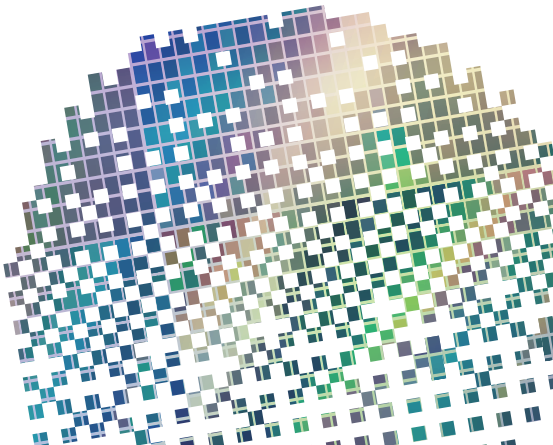
This being the case, our country must pay greater attention to the semiconductor industry, as national defense resilience depends on a complete semiconductor supply chain.

"Semiconductors are central to these new technologies in multiple ways. First are the chips that go in systems. A high-end drone might have one or two sophisticated chips and a handful of less complicated sensors and other semiconductors. Next to the chips in a specific system are the chips in a network that enable the communication and command and control which make it possible to use that system. These communication networks are full of high-end chips. Finally, there are chips in the datacenters that play an increasingly large role in developing and deploying these systems. We need to think about resilience in defense semiconductor supply chains as not only being about devices, but about the entire network that enables them."

Chris reminds us that the drone industry is a field that Taiwan should focus on and invest in more.

"Understanding the evolution of drone supply chains provides both a lens for how electronic supply chains are changing in general—and how defense supply chains are evolving in specific. Senior military leaders in all the key countries in the Indo-Pacific realize that access to large quantities of drones will be an important determinant of any future conflict in the region. They will therefore be important for deterring conflict, too. China has historically dominated these supply chains, and it is critical that we find ways to diversify production in more reliable partners."

As a historian, Chris believes that analyzing the past and present of the semiconductor industry is crucial for predicting its future, especially in areas that are inherently difficult to anticipate, such as politics or technology. Reflecting on history can help us understand future possibilities. Although we may not clearly see the road ahead at present, by analyzing history, we can maintain a sense of awareness that allows us to continue moving forward through the fog.



Hold on to the Trump Card

By **Kolas Yotaka**

On the last day of February 2025, marking the three-year anniversary of the Russia-Ukraine war, both sides had suffered heavy casualties, and Ukrainian President Volodymyr Zelensky was exhausted. Nevertheless, he accepted the invitation of the U.S. President and flew to the White House to explore the possibility of a ceasefire, hoping to sign a favorable truce agreement involving all three parties. Unexpectedly, the warm up press conference before the signing event, which was about 50 minutes long, went off-script in the last 10 minutes. Zelensky argued that the agreement only confirmed the rights of the U.S. to mine rare earth elements in Ukraine but did not provide any security guarantees for Ukraine. He warned the U.S. against placing excessive trust in Russia, which led to a verbal confrontation.

In addition to Trump's anger, the U.S. Vice President followed suit, and far-right media reporters consistently launched attacks on Zelensky, asking questions like, "Why aren't you wearing a suit?" —turning the entire conversation into a nearly irreparable diplomatic disaster. The warm-up failed, and the main event could not even take place. Ultimately, the two countries did not complete the signing, and Trump was unable to deliver on his pre-election promise to voters to achieve a ceasefire in Ukraine that day, leading to a sour ending for both sides. After Zelensky left the White House, Secretary of State Rubio continued to criticize him in the media, stating that Zelensky should apologize to the United States.

The moment that left the deepest impression on me during the entire confrontation was this one:

Trump: "You're not in a good position. You don't have the cards right now. With us, you start having cards."

Zelensky: "I'm not playing cards."

Trump: “You don't have the cards. But once we sign that deal, you're in a much better position, but you're not acting at all thankful.”

Trump wants to go all in with the “rare earth card,” but Zelensky refuses to play along. This scene was striking to me; I cannot imagine what Trump would want to see if Taiwan were ever forced to sit at the card table. What kind of cards would Trump expect Taiwan to play?

Just four days after this astonishing presidential argument unfolded, while the world was still in shock, President Trump played his next card by inviting TSMC Chairman C.C. Wei to jointly announce that TSMC would increase its investment in the U.S. by $100 billion (approximately NT$3.3 trillion). Trump stated that this move would allow the U.S. to capture a share of TSMC's global chip market, with America poised to get at least 40% of the global semiconductor market, fulfilling his campaign promises of “America First” and “Made in America.”

The single focus of Trump's aggressive strategy is China. To suppress China, he needs two cards: the “rare earth card” and the “chip card.” Once he holds both cards, regardless of how other players like Russia, China, North Korea, and Iran respond, the U.S. can confidently go all in for a big win. To obtain the “rare earth card,” he can negotiate with Russia in the presence of Ukraine, applying pressure on Ukraine to bring them to the negotiating table. To secure the “chip card,” he threatens to impose a 25% tax in front of Taiwan and demands that TSMC transfer technology to Intel. Sure enough, TSMC then announces an increased investment in the U.S.

The world as a game of cards

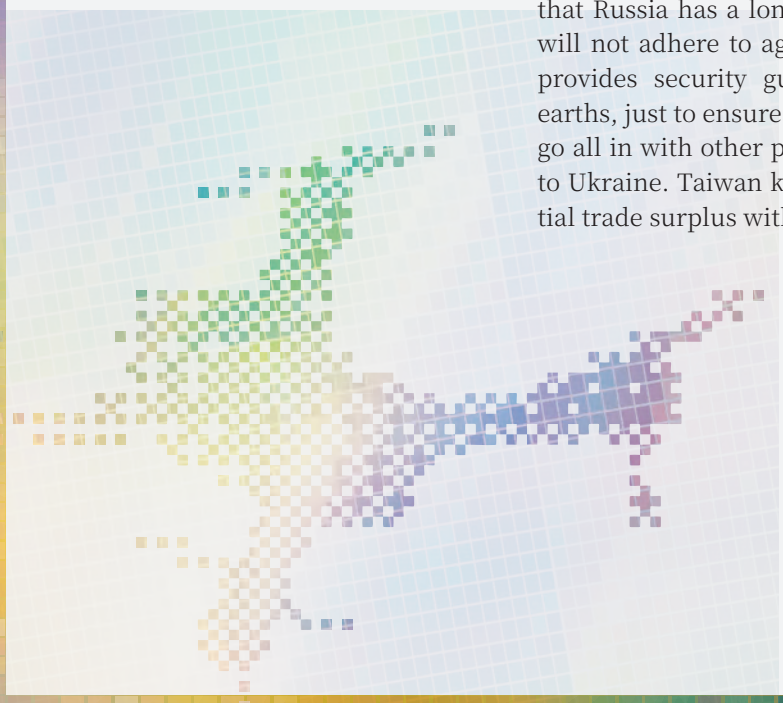
At the press conference in March regarding TSMC's increased investment in the United States, Trump was asked by a reporter:

"Could this minimize the impact to the US with chips should China decide to isolate Taiwan or China decides to take Taiwan?"

Trump responded:

"I can't say "minimize." That would be a catastrophic event, obviously. But it will at least give us a position where we have — in this very, very important business, we would have a very big part of it in the United States. So, it would have a big impact if something should happen with Taiwan."

The U.S. is playing its cards, but Taiwan does not want to be left out in the cold. Zelensky stated that he is a wartime president, and he is not here to play games. He wants to remind the world that Russia has a long history of violations and will not adhere to agreements. If the U.S. only provides security guarantees to acquire rare earths, just to ensure it has the "good cards" to go all in with other players, it would not be fair to Ukraine. Taiwan knows that it has a substantial trade surplus with the United States and un-



derstands that Trump will be eager to address the trade imbalance. However, it has also publicly stated that imposing unequal tariffs on Taiwanese chips is unfair. But no matter how unfair it is, it is clear that the U.S., based on “national security considerations” and “national interests,” will employ more aggressive means to compete for control over the global high-end chip supply chain. Once it applies economic pressure to secure these two cards while avoiding security commitments, the U.S. will be free to battle with China. In such a scenario, both Ukraine and Taiwan may find themselves left “holding the bag.”

Taiwan must never be left out in the cold. If there are no absolute security guarantees from the United States, easily arranging for TSMC to move to the U.S. will incur higher costs, and there is a risk of technology loss, resulting in the loss of a strong asset. Therefore, it is essential to hold two strong cards.

Dual-track approach: hold on to the Trump card.

According to the analysis of war historian and chip expert Chris Miller, neither China nor the United States can quickly catch up to Taiwan's chip manufacturing technology. Moreover, Taiwan's complete semiconductor manufacturing ecosystem is unique in the world and cannot be replicated by other countries in a short time. Here, it’s not just about technology and talent; the unique labor culture and the distinct interpersonal connections in Taiwan help retain a large workforce of engineers to serve their country.

The Taiwanese government should hold two cards: on one hand, it can release limited production capacity to the United States; on the other hand, it should continue to invest heavily in the domestic semiconductor industry, doubling efforts to cultivate talent and stabilize water and electricity supplies. By building a more robust semiconductor ecosystem and holding the leading-edge technology of the “Silicon Shield” firmly in hand, Taiwan can ensure that it does not lose.