

Chips give Taiwan an edge that it needs to use

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Washington's China policy usually oscillates between containment and engagement. Prior to former US president Donald Trump's trade dispute with China, the US placed greater emphasis on cooperation than competition with China, especially at the economic level, as it believed that the mutual benefit of cooperation would benefit Americans.

Since the start of the dispute, mutually beneficial trade has gradually been replaced with competition, undermining the basis for cooperation between the countries. Now, US-China competition has evolved into a technology war that is defining the direction of relations between the two powers for the foreseeable future.

The US recently issued a ban on electronic design automation software, which the Chinese semiconductor industry has generally said was aimed at preventing China from advancing to a 3-nanometer process and limiting its IC design capacity at 5 nanometers and manufacturing capacity at 7 nanometers.

In July, the US Senate passed the CHIPS and Science Act, which sets aside US\$52 billion to subsidize US semiconductor companies and provides tax breaks for companies investing in semiconductors. The subsidized companies would not be allowed to invest in Chinese semiconductor manufacturing processes more advanced than 28 nanometers for the next decade. This shows Washington's determination to build its own semiconductor supply chain and contain China.

The US has also proposed a four-nation alliance of chip manufacturing with Taiwan, Japan and South Korea, called Chip 4, widely regarded as an effort to control semiconductor exports and technology outflows to prevent China from obtaining high-end technology from these nations.

Competition between the US and China is a struggle for dominance of the world economic order.

As early as 2015, Beijing unveiled its "Made in China 2025" project, which it hoped would, together with its "China Standards 2035" policy, allow it to shed dependence on foreign technology and make Chinese standards world standards.

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The industries that the “Made in China 2025” initiative focuses on have become the main targets of the US-China trade dispute, while the US seeks to fundamentally eliminate China’s manufacturing potential. Another key point of the dispute is to ensure that vital electronic components are in the hands of the US or its allies, to break China’s monopoly on them.

The Korea Institute for Industrial Technology and Trade has said that Taiwan’s inclusion in Chip 4 would help the US and the EU reduce their dependence on Taiwan over the medium and long term. This highlights Taiwan’s key position in the US-China technology war.

Taipei should develop a plan to cope with the intensifying competition between Washington and Beijing, which should adhere to the following principles:

First, the government must ensure that key advanced technologies remain in the hands of Taiwanese manufacturers to maintain Taiwan’s strategic position.

Second, cooperation with other democratic countries must be based on reciprocity, such as through bilateral economic and trade interactions with the US, to ensure that in exchange for chip support the US provides support in advanced fields in which it has an advantage, such as artificial intelligence and electric vehicles.

Third, if the opportunity presents itself, Taiwan should participate in the Chip 4 alliance, as a four-way dialogue with the nations would provide Taiwan an additional channel for international participation.

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Translated by Lin Lee-kai

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