**Trump’s Tariffs Won’t Solve U.S. Chip-Making Dilemma**

The proposed semiconductor tariffs—and exemptions—don’t line up with their supposed purpose

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President Trump’s chip-tariff regime could disrupt the global electronics trade and send prices of all kinds of goods higher. One thing it appears unlikely to do: bring advanced chip-making roaring back in the U.S.

Trump last week threatened a [100% tariff on “chips and semiconductors,”](https://www.wsj.com/livecoverage/stock-market-today-dow-sp-500-nasdaq-08-06-2025/card/trump-announces-100-tariff-on-chips-with-exemptions-for-companies-investing-in-u-s--0PTtqEC23bi1crNWzRr5?mod=article_inline) but offered an exemption. Companies that commit to “build in the U.S.” won’t have to pay the duty, according to Trump.

While vague, that appears logical on its face. If the point of the tariffs is to cajole companies into doing more of their work in the U.S., they ought to get a reprieve when they do that.

One issue is that all of the world’s big chip companies are already investing in U.S. production, encouraged in part by [subsidies doled out](https://www.wsj.com/tech/chips-act-funding-semiconductor-investments-us-22cc1ea8?mod=article_inline) by the prior administration. Meanwhile, other big technology companies are likely to invest in areas other than advanced chip production to get their own exemptions.

Taiwan Semiconductor Manufacturing is building chip factories north of Phoenix that are part of [$165 billion of U.S. investments](https://www.wsj.com/tech/tsmc-says-100-billion-u-s-expansion-driven-by-demand-not-political-pressure-af6f8518?mod=article_inline). South Korea’s [Samsung Electronics](https://www.wsj.com/market-data/quotes/KR/XKRX/005930) [005930 1.84%increase; green up pointing triangle](https://www.wsj.com/market-data/quotes/KR/XKRX/005930) is building a [project in Texas worth $40 billion](https://www.wsj.com/tech/samsung-to-fortify-u-s-chip-revival-by-swelling-its-texas-investment-to-44-billion-6d2d1799?mod=article_inline). The list goes on.

It seems likely those chip manufacturers will win exemptions on tariffs thanks to the size of these investments. But if so, the latest tariffs won’t incentivize them to keep adding to their U.S. operations. If anything, the incentive will be to [make just enough U.S. investment](https://www.wsj.com/tech/trump-chip-maker-tsmc-expected-to-announce-100-billion-investment-in-u-s-02a44399?mod=article_inline) to appease politicians, then import whatever else is needed, especially considering the substantially higher cost of manufacturing in the U.S.

Those higher U.S. costs have been a core issue for foreign chip-makers that the tariffs won’t alleviate. TSMC told investors last month that it expects the [higher cost of its U.S. fabrication](https://www.wsj.com/business/earnings/taiwan-semiconductor-earnings-record-profit-1abfc5fa?mod=article_inline) to weigh down companywide gross margins by 2 to 3 percentage points over the next few years. And those fabs aren’t even first in line for the company’s most expensive and most advanced technology. TSMC’s Arizona facilities are currently producing chips with the company’s N4 process technology—two generations older than the N2 process the company is about to launch in its Taiwan fabs.

TSMC may be just one company, but advanced chip making is a game only few can play. TSMC, Samsung and Intel are the only chip makers in the world that can produce at the most technically advanced process nodes. And Intel is struggling for survival—having slashed its workforce and capital spending plans to conserve cash as it tries to catch up to TSMC. Trump’s [recent broadside against](https://www.wsj.com/tech/trump-intel-ceo-lip-bu-tan-resign-china-ties-cotton-ce111513?mod=article_inline) Intel’s Malaysian-born chief executive [adds even more uncertainty](https://www.wsj.com/tech/intel-ceo-lip-bu-tan-trump-board-9cc08631?mod=article_inline) to the chip giant’s outlook.

Counterintuitively, chip tariffs might end up having a more dramatic effect on electronics companies that don’t make chips, because they have so much to lose from tariffs on vital imported components. [Apple’s](https://www.wsj.com/market-data/quotes/AAPL) [AAPL 4.24%increase; green up pointing triangle](https://www.wsj.com/market-data/quotes/AAPL) tariff exemption—secured through pledges for $600 billion of investments over the next four years—saved the company from costs that could have undermined its U.S. business.

Its peers—at least [those with deep pockets](https://www.wsj.com/livecoverage/stock-market-today-dow-sp500-nasdaq-tariff-deadline-08-07-2025/card/trump-s-chip-tariffs-favor-the-deep-pocketed-heard-on-the-street-gwEgulqNETjjnicAe9mn?mod=article_inline)—will likely aim for the same tariff-free treatment.

If the goal is to spur investment in U.S. manufacturing generally, this might make sense. But if the aim of chip tariffs was to bring more advanced chip manufacturing to the U.S., these pledges are hardly silver bullets.

Apple’s U.S. investments do support [domestic advanced chip-making](https://www.wsj.com/tech/apple-invest-american-manufacturing-trump-5c2c35a7?mod=article_inline): The company is the first and largest customer of TSMC’s factory in Arizona and is working with Samsung to devise chip-making technology in Texas, among other efforts. But Apple is also spending big on server manufacturing, expanding its data centers and adding to its campus in Austin, Texas—all activities that have less bearing on the domestic chip industry.

It is also notable that much of what Apple is doing was already in progress before the tariff threat. Chief Executive [Tim Cook](https://www.wsj.com/topics/person/tim-cook) said in 2022 during a joint press conference with President Joe Biden that Apple would use TSMC’s Arizona chips. Now that Apple has a tariff exemption, the tariffs provide no nudge to do more.

What is more, U.S.-based manufacturing will still come at a premium, and someone will have to cover the price. “The higher cost of tariffs and U.S. production will eventually be shared across U.S. consumers and different parts of the supply chain,” Bernstein Research analysts wrote in a report Thursday.

There remain good reasons for chip makers to expand in the U.S., of course. The companies have tapped grant money under 2022’s Chips Act to increase their U.S. manufacturing. They also have access to tax credits for purchases of chip-making equipment that increased in Trump’s “big, beautiful bill” last month.

*How do you think the business of chip-making will change because of tariffs? Join the conversation below.*

Many companies also see value in locating more of their supply chains in the U.S. to avoid the kind of shock they experienced during the Covid-19 pandemic. There is a geopolitical calculation at play, too, that has little to do with tariffs: A more aggressive Chinese posture toward Taiwan, a widening of conflicts in the Middle East, or any number of other potential political disruptions all give companies reasons to want more of their semiconductor supply chain close to home.

Those factors have been, and will continue to be, the main drivers of chip investment in the U.S.—not tariffs.