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How The U.S. War on Taiwanese Semiconductors Might Benefit Japan

On May 15, 2023, Berkshire Hathaway reported in a Form 13F [filing](#) to the U.S. Securities and Exchange Commission that it had completed the sale of its \$4 billion stake in Taiwan Semiconductor Manufacturing Co (TSMC). This sale completed a process that began in February 2023, when Berkshire Hathaway [announced](#) that it sold 86 percent of its holdings in TSMC. In April, Berkshire Hathaway's leader Warren Buffett [told](#) Nikkei that the geopolitical tension between the United States and China was "certainly a consideration" in his decision to divest from TSMC. TSMC told Nikkei, is a "well-managed company" but that Berkshire Hathaway would find other places for its capital. At his May 6 morning meeting, Buffett [said](#) that TSMC "is one of the best-managed companies and important companies in the world, and you'll be able to say the same thing five, ten or twenty years from now. I don't like its location and reevaluated that." By "location," Buffett meant Taiwan, in the context of the threats made by the United States against China. He decided to wind down his investment in TSMC "in the light of certain things that were going on." Buffett announced that he would move some of this capital towards the building of a fledgling U.S. domestic semiconductor industry.

[TSMC](#), based in Hsinchu, Taiwan, is the world's largest semiconductor manufacturer. In 2022, it [accounted](#) for 56 percent of the share of the global market and over 90 percent of advanced chip manufacturing. Warren Buffett's investment in TSMC was based on the Taiwanese company's immense grip on the world semiconductor market. In August 2022, U.S. President Biden signed the [CHIPS and Science Act](#) into law, which will [provide](#) \$280 billion to fund semiconductor manufacturing inside the United States. On December 6, 2022, Biden joined TSMC's Chairman Dr. Mark Liu at the \$40 billion expansion of TSMC's semiconductor factories in North Phoenix, Arizona. Dr. Liu [said](#) at the project's announcement that the second TSMC factory is "a testimony that TSMC is also taking a giant step forward to help build a vibrant semiconductor ecosystem in the United States."

The first TSMC plant will open in 2024 and the second, which was [announced](#) in December, will open in 2026. On February 22, 2023, the New York Times ran a long [article](#) ("Inside

Taiwanese Chip Giant, a U.S. Expansion Stokes Tensions”), which pointed out—based on interviews with TSMC employees—that “high costs and managerial challenges” show “how difficult it is to transplant one of the most complicated manufacturing processes known to man halfway across the world.” At the December 6 announcement, Biden [said](#), “American manufacturing is back,” but it is only back at a much higher cost (the plant’s construction cost is ten times more than it would have cost in Taiwan). “The most difficult thing about wafer manufacturing is not technology,” Wayne Chiu—an engineer who left TSMC in 2022—told the New York Times. “The most difficult thing is personnel management. Americans are the worst at this because Americans are the most difficult to manage.”

Blow up Taiwan

U.S. Ambassador Robert O’Brien, the former National Security Advisor of Donald Trump, [told](#) Steve Clemons, an editor at Semafor, at the Global Security Forum in Doha, Qatar, on March 13, 2023, “The United States and its allies are never going to let those [semiconductor] factories fall into Chinese hands.” China, O’Brien said, could build “the new OPEC of silicon chips” and thereby, “control the world economy.” The United States will prevent this possibility, he said, even if it means a military strike. On May 2, 2023, at a Milken Institute event, U.S. Congressman Seth Moulton [said](#) that if Chinese forces move into Taiwan, “we will blow up TSMC. ... Of course, the Taiwanese really don’t like this idea.”

These outlandish statements by O’Brien and Moulton have a basis in a widely circulated [paper](#) from the U.S. Army War College, published in November 2021, by Jared M. McKinney and Peter Harris (“Broken Nest: Detering China from Invading Taiwan”). “The United States and Taiwan should lay plans for a targeted scorched-earth strategy that would render Taiwan not just unattractive if ever seized by force, but positively costly to maintain. This could be done effectively by threatening to destroy facilities belonging to the Taiwan Semiconductor Manufacturing Company,” they write.

Right after Moulton made these incendiary remarks, former U.S. defense undersecretary Michèle Flournoy [said](#) that it was a “terrible idea” and that such an attack would have a “\$2 trillion impact on the global economy within the first year and you put manufacturing around the world at a standstill.”

Taiwan’s officials responded swiftly to Moulton, with minister of defense Chiu Kuo-cheng [asking](#), “How can our national army tolerate this situation if he says he wants to bomb this or that?” While Chiu responded to Moulton’s statement about a military strike on TSMC, in fact, the U.S. government has already attacked the ability of this Taiwanese company to remain in Taiwan.

Taiwan’s economics vice minister Lin Chuan-neng [said](#) in response to these threats and Buffett’s sale of TSMC that his government “will do its utmost to let the world know that Taiwan is stable and safe.” These incendiary remarks aimed at China now threaten the collapse of Taiwan’s economy.

Made in Japan

In his May 6 meeting, Warren Buffett [said](#) something that gives a clue about where the semiconductor manufacturing might be diverted. “I feel better about the capital that we’ve got deployed in Japan than Taiwan,” he said. In 1988, 51 percent of the world’s semiconductors were [made](#) in Japan, but [as of 2022](#), the number is merely 9 percent. In June 2022, Japan’s Ministry of Economy, Trade, and Industry (METI) [announced](#) it would put in

40 percent of a planned \$8.6 billion for a semiconductor manufacturing plant by TSMC in Kumamoto. METI [said](#) in November that it has selected the Rapidus Corporation—which includes a stake by NTT, SoftBank, Sony, and Toyota—to manufacture next-generation 2-nanometer chips. It is likely that Berkshire Hathaway will invest in this new business.

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