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Arlington, Virginia, USA

NEW REPORT EXAMINES TAIWAN'S CRITICAL ROLE IN THE SEMICONDUCTOR SUPPLY CHAIN

On June 8, 2022, the Project 2049 Institute and the US-Taiwan Business Council released a joint report entitled “*Initial Report - U.S., Taiwan, and Semiconductors: A Critical Supply Chain Partnership.*” The report provides an initial look at vulnerabilities in the semiconductor supply chain, with a particular focus on Taiwan as a crucial partner for the U.S. in the semiconductor sector. It is part of an ongoing joint study of potential implications of semiconductor supply chain disruptions involving Taiwan.

U.S.-China trade friction, the pandemic, and recent automotive shortages have exposed the U.S. vulnerability to supply chain disruptions. The U.S. needs to reduce this dependency by incentivizing onshoring, diversifying its manufacturing base, and making key supply chains more resilient. The risk is clear across all sectors, including for the significant and strategically important semiconductor sector. Disruptions to the semiconductor supply chain could negatively impact the economy, damage the technology sector, and hamper productivity and innovation. Semiconductor supply chain disruptions could also have severe repercussions for U.S. national security and critical infrastructure.

Mark Stokes, Executive Director of the Project 2049 Institute, said, “*Defense industrial supply chain security, to include microelectronics, warrant much greater attention by the Biden Administration. At a critical juncture in U.S.-Taiwan relations, this report demonstrates that Taiwan provides the steel in the spine for the U.S. defense industrial complex. The U.S. and Taiwan would do well to establish a senior level bilateral steering group on defense industrial cooperation and supply chain security.*”

Rupert Hammond-Chambers, President of the US-Taiwan Business Council, said, “*Taiwan’s importance in the semiconductor industry has caught the world’s attention. It is a huge economic opportunity for U.S.-Taiwan relations, and it’s also an important geo-strategic marker of how important it is that Taiwan remains a free market democracy allied with the United States and its partners. To see Taiwan fall into the embrace of the People’s Republic of China would consign a major global economic pillar to a hostile power.*”

Hammond-Chambers added, “*Taiwan’s semiconductor industry does face some significant headwinds. Access to water, power, land, and human capital in Taiwan are all challenging, and these issues place constraints on the future rapid development of the industry. Meanwhile, a rush to expand semiconductor industrial policies globally sees countries and trading blocs allocating significant resources to base and/or grow new domestic chip production.*”

For copies of “*Initial Report - U.S., Taiwan, and Semiconductors: A Critical Supply Chain Partnership,*” see www.project2049.net and www.us-taiwan.org.

About The Project 2049 Institute

The Project 2049 Institute (www.project2049.net) is a nonprofit research organization focused on promoting American values and security interests in the Indo-Pacific region. We specialize in open-source research using Chinese language sources to inform policy debate and advance public education. Our core mission is to create and disseminate knowledge that makes the region more peaceful and prosperous. The Project 2049 Institute is located in Arlington, Virginia, and was co-founded in

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2008 by the Honorable Randall Schriver and Lt Col Mark Stokes (USAF, ret.). We are a 501(c)3 tax-exempt organization. Independent and non-partisan, our research is focused on bolstering human rights and national security.

About the US-Taiwan Business Council:

The US-Taiwan Business Council (www.us-taiwan.org) is a membership-based non-profit association, founded in 1976 to foster trade and business relations between the United States and Taiwan. The Council provides its members with business intelligence, offers access to an extensive network of relationships, and serves as a vital and effective representative in dealing with business, trade, and investment matters.

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