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Taiwan's Tech Titans: TSMC and Foxconn

By Tang Meng Kit

SYNOPSIS

Taiwan's strategic positioning is at a crucial juncture, as reflected by the contrasting strategies of two of its key successful companies: TSMC and Foxconn. TSMC is strengthening ties with the US through a US\$100 billion investment in semiconductor manufacturing in the US and allied countries. Foxconn is staying put in China but is moving away from reliance on chips and electronic devices. Taiwan's strength lies in its semiconductor industry, which is vital for global supply chains. There are risks to Taiwan's "Silicon Shield" strategy.

COMMENTARY

Taiwan is included in the advanced economies group by the International Monetary Fund (IMF) and is part of the World Bank's group of high-income economies. Taiwan is regarded by those in business and industry as an important part of the global tech chain. Two of its most powerful companies, TSMC (Taiwan Semiconductor Manufacturing Company) and Foxconn (also known as Hon Hai Technology Group), are considered pivotal players in a world where technology is national security.

TSMC, the world's most advanced semiconductor manufacturer, is aligning itself with the United States, securing its place in the global chip supply chain. Foxconn, the "king of contract electronics manufacturing", is venturing into electric vehicles (EVs), hoping to diversify its huge investments in China and be onside with Beijing's economic planners.

At first glance, both moves seem logical. But their implications stretch far beyond business. These are not just corporate strategies. These choices will define Taiwan's economic resilience, geopolitical leverage, and, ultimately, its security.

TSMC: Powerful Shield or Waning Asset?

TSMC is no ordinary company. It manufactures over 90 per cent of the world's most advanced semiconductors, powering everything from iPhones to AI supercomputers. This has made Taiwan seen as indispensable to the global economy and a strategic priority for Washington.

American policymakers seem aware of this. Through the CHIPS Act, Washington is pulling TSMC closer, investing billions to bring chip production to US soil. TSMC is responding with a US\$100 billion expansion plan, which includes new facilities in Arizona (USA), Japan, and Germany.

But this alignment comes at a cost. Taiwan's "Silicon Shield" – the idea that the world's reliance on Taiwanese chips deters a Chinese invasion – relies on TSMC remaining irreplaceable. If the US and its allies build their own semiconductor ecosystems, will Taiwan's strategic importance decline?

China is watching closely. Beijing has long relied on TSMC's chips but is now racing to achieve semiconductor self-sufficiency. If China succeeds, it could reduce its dependence on Taiwan and shift the geopolitical equation. If Washington secures its chip supply elsewhere, will it remain as committed to Taiwan's defence?

TSMC's best strategy may be to keep its most advanced technology exclusively in Taiwan while expanding lower-end production abroad. This would ensure that Taiwan remains irreplaceable in the chip industry. But it is a delicate balance. If too much manufacturing moves overseas, Taiwan's bargaining power could weaken.

Foxconn: High-Stakes Bet on Electric Vehicles

Foxconn faces a different challenge. Unlike TSMC, it is deeply embedded in China's industrial network, assembling iPhones and other consumer electronics in massive factories within China.

Now, Foxconn wants to reinvent itself as a leader in electric vehicles. Its ambition is bold: an open-source EV platform that could disrupt the auto industry the way Android did for smartphones. The challenge? The EV sector is not like consumer electronics.

Legacy automakers guard their production processes fiercely. Tesla and BYD already dominate the EV market. China controls the global supply chain for batteries, lithium and rare earth materials. Foxconn's strategy is risky. If it moves too much production outside China, it risks economic retaliation from Beijing. If it stays too reliant on China, it could face Western pushback.

Foxconn's survival depends on how well it can navigate this tightrope. To succeed, Foxconn must build supply chain resilience outside China while maintaining cost efficiency. Expanding into India, Southeast Asia, and Latin America could help. However, if it remains too dependent on Chinese manufacturing, it risks being caught in geopolitical tensions.

Washington and Beijing's Perspectives: A Tale of Two Priorities

The United States welcomes TSMC and Foxconn's global expansions, but only one is seen as a strategic asset.

TSMC is critical to America's technological and military dominance. It supplies the chips that power AI, advanced weapon systems and critical infrastructure. Foxconn, while valuable, does not hold the same weight.

China's response is different. Foxconn's EV ambitions do not pose a threat to Beijing. But TSMC's shift toward the US does. Beijing sees TSMC as both a critical supplier and a strategic vulnerability. If China loses access to Taiwan's chips, it could weaken its technological ambitions. If the US succeeds in securing its own supply, Taiwan's role as a global semiconductor checkpoint could diminish.

Taiwan is at a turning point. Expanding into new industries could make its economy more resilient. But security is built on control over the world's most advanced semiconductors.

Foxconn's move into electric vehicles offers a path toward diversification. A thriving EV sector could ease Taiwan's dependence on chips. But cars do not have the same power as semiconductors. The world needs Taiwan's chips. That is what gives it influence.

TSMC's expansion in the US brings Taiwan even closer to Washington. That strengthens security ties, but it also raises a difficult question. If the US no longer depends on Taiwan's chip supply, does it remain just as committed to Taiwan's defence?

Taiwan must expand without losing what makes it essential. TSMC's most advanced production should stay home, even as it expands abroad. Foxconn's EV ambitions should not deepen Taiwan's reliance on China. Most importantly, Taiwan must remain at the forefront in chip innovation. That is what will keep Taiwan at the centre of the global economy.

Diversification matters. However, in a world where technology is power, Taiwan must remain irreplaceable.

The Road Ahead: Who Holds the Winning Hand?

Foxconn's EV bet is bold but uncertain. The company is stepping into a battlefield dominated by established players, and success is not guaranteed.

TSMC, however, remains Taiwan's most valuable asset. But its deepening ties with the US raise difficult questions. Will Washington remain fully committed to Taiwan's security once it no longer depends on Taiwanese chips?

Taiwan's future will not be decided by how many electric vehicles Foxconn produces. It will be decided by semiconductors, the chips that power AI, defence systems and the next generation of global technology.

As the play on the global chessboard shifts, Taiwan must ensure it does not lose its most valuable piece. Alternatively, is there another “white rabbit” from the technology wizard hat?

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