

January 19, 2026 | Issue 15

Insights Engine | Investment Research

Semiconductor Insights: The U.S.–Taiwan Strategic Reset and the Path from 2026 Onwards



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Executive Summary

The U.S. semiconductor industry is entering a pivotal structural phase, where industrial policy, geopolitics, and the demand for artificial intelligence (AI) are converging to redefine global manufacturing leadership. The evolving U.S.–Taiwan semiconductor alignment represents a strategic inflection point, accelerating the industry’s transition from a globalization-first efficiency model toward a security-anchored, capital-intensive domestic manufacturing framework. Advanced semiconductor production is no longer assessed solely on cost efficiency, but increasingly as a pillar of national economic resilience, technological sovereignty, and defense readiness.

Targeted tariffs, selective trade measures, and manufacturing incentives are reshaping cost structures and accelerating supply-chain localization, particularly for leading-edge logic and AI-centric chips. Within this framework, the expansion of Taiwan’s semiconductor manufacturing capacity inside the United States is designed to anchor advanced-node production domestically while preserving process continuity, yield discipline, and operational control.

Artificial intelligence (AI) remains the primary driver of demand, underpinning sustained capital expenditure, long-term customer contracts, and pricing power in advanced semiconductors. Unlike prior semiconductor cycles driven primarily by consumer electronics, current growth is increasingly supported by enterprise, cloud, defense, and infrastructure workloads reducing sensitivity to short-term macro volatility. As the industry enters 2026, competitive leadership will be defined less by scale alone and more by geopolitical alignment, capital discipline, and execution resilience.

Taiwan-backed Investments
for Semiconductor
Manufacturing

250B

25%

Tariffs on Selected
Advanced Semiconductor
Imports

Advanced-node Chip
Demand by Value to rise by

40%

~53B

Committed U.S.
Funding under the
CHIPS & Science Act.

Reframing the Semiconductor Cycle Through the U.S.–Taiwan Strategic Reset

The global semiconductor industry entered 2026 at a structural inflection point where geopolitics, industrial policy, and AI demand have converged to redefine long-term growth trajectories. At the center of this shift is the U.S.–Taiwan semiconductor alignment—a strategic realignment aimed at restoring U.S. manufacturing leadership while embedding Taiwan’s technological advantage within U.S. borders.

Unlike prior semiconductor cycles driven largely by consumer device refreshes, the current phase is policy-engineered and security-driven. Semiconductors are increasingly treated as strategic infrastructure, essential to economic competitiveness, defense systems, and technological sovereignty. The U.S.–Taiwan framework reflects this shift by aligning capital incentives, trade policy, and supply-chain localization around advanced logic, AI compute, and high-value manufacturing nodes.

For the United States, this alignment reduces dependency on single-geography supply chains and introduces controlled redundancy. For Taiwan, it secures long-term demand visibility while mitigating geopolitical concentration risk. The result is a structurally anchored semiconductor ecosystem that prioritizes resilience over marginal cost optimization.

The Global Semis Market is Forecast to Breach USD 1T by 2027



Source: World Semiconductor Trade Statistics

The U.S.–Taiwan Semiconductor Pact: Geopolitical and Industrial Strategy

The U.S.–Taiwan semiconductor agreement is best understood as a geopolitically driven trade arrangement, underpinned by large-scale U.S.-bound investment, and simultaneously as an industrial strategy aimed at controlling the manufacture and access to high-technology

semiconductors with both civilian and defense applications. Its centerpiece is an estimated USD 250 billion in Taiwan-supported investment into U.S. semiconductor manufacturing, focused on advanced logic, AI accelerators, and leading-edge process technologies.

Selective tariff adjustments and financing mechanisms are structured to incentivize physical production on U.S. soil rather than cross-border chip flows. This reflects a clear policy objective: internalizing value creation across design, fabrication, and advanced packaging. Long-term financing assurances embedded in the framework reduce execution risk for large-scale fabrication projects, historically one of the main barriers to U.S. reshoring.

Rather than preserving Taiwan's technological leadership, the agreement is designed to transfer critical manufacturing capabilities to the U.S. The economic logic is risk-optimized rather than cost-optimized: advanced semiconductor manufacturing is now valued for resilience, security, and continuity. As a result, the U.S.-Taiwan alignment functions as a durable demand anchor for the U.S. semiconductor ecosystem through 2026 and beyond.

TSMC Earnings Momentum and Its Implications for U.S. Capacity

Taiwan Semiconductor Manufacturing Company's (TSMC) recent earnings performance validates the strategic logic underpinning the U.S.-Taiwan alignment. TSMC reported approximately USD 33.7 billion in revenue in the fourth quarter of 2025, with net income rising roughly 35% year-over-year, driven primarily by advanced-node and AI-centric demand. Advanced process technologies now account for a growing share of TSMC's revenue mix, underscoring the durability of demand for high-performance computing, data-center infrastructure, and AI workloads. This financial strength is critical for underwriting the capital intensity of U.S. fabrication, where operating and labor costs remain structurally higher than in East Asia.

From a strategic standpoint, earnings momentum ensures that U.S. fabs are positioned as economically integral rather than symbolic assets. U.S. capacity is expected to focus on high-value production aligned with future growth vectors, reducing the risk that domestic fabs become marginal or underutilized. At the same time, U.S.-based investment is expected to support TSMC's sales growth both domestically and globally, reinforcing revenue visibility while integrating U.S. fabs into the company's broader commercial and customer ecosystem heading into 2026.

Tariff Architecture and the Repricing of U.S. Semiconductor Equities

Tariff policy has become a central mechanism reshaping competitive dynamics within the U.S. semiconductor sector. The imposition of a 25% tariff on selected high-end semiconductor imports reflects a deliberate effort to tilt economics toward domestic manufacturing.

Complementary export tariffs near 15% on certain outbound flows are designed to rebalance incentives without materially disrupting end-market demand.

Equity markets are increasingly bifurcated along policy alignment lines. Companies with U.S. manufacturing exposure, advanced packaging capabilities, or direct participation in onshoring initiatives and strategic relevance. In contrast, firms heavily reliant on offshore fabrication without localization pathways face margin pressure and valuation volatility.

As 2026 approaches, tariffs are increasingly deployed as instruments to align global trade and capital flows with the U.S. geopolitical positioning rather than as purely protectionist measures. Consequently, semiconductor equities are being repriced based on their alignment with U.S. strategic and policy priorities, alongside traditional considerations of earnings growth.

How TSMC Operates in the U.S.: Subsidiary Control and Execution Certainty

SMC's U.S. operations are structured as wholly owned subsidiaries rather than joint ventures, preserving full control over intellectual property, process technology, and operational execution. This structure enables TSMC to replicate its proven foundry model while satisfying U.S. policy objectives related to domestic capacity, workforce development, and supply-chain security.

In practice, however, TSMC's business autonomy within the U.S. is likely to be constrained over time, as strategic, regulatory, and national security considerations increasingly shape operational decision-making. The trajectory suggests that U.S. involvement through investment, oversight, or eventual control of manufacturing assets may deepen, reflecting the strategic importance of semiconductor fabrication to U.S. industrial and defense priorities.

Supply-Chain Localization and Manufacturing Reconfiguration

The U.S. semiconductor supply chain is undergoing a structural reconfiguration, shifting from efficiency-driven globalization toward resilience-driven localization. While this does not represent a wholesale retreat from global integration, it reflects selective reshoring of the most strategically critical nodes, particularly leading-edge logic and advanced packaging.

Supplier networks are increasingly co-locating near U.S. fabs to meet proximity, security, and compliance requirements. Although localization raises upfront costs, it materially reduces long-tail risks tied to export controls, logistics disruptions, and policy shocks. Over time, automation, scale, and learning-curve effects are expected to compress unit costs, creating a more durable and sovereign supply-chain architecture.

Capital Expenditure, Partnerships, and the AI-Driven Investment Cycle

The semiconductor industry is entering a new investment super-cycle driven by AI infrastructure rather than consumer electronics. Since 2020, the CHIPS Act has catalyzed more than USD 630 billion in private semiconductor investment in the United States. TSMC's Arizona expansion alone exceeds USD 165 billion, while approximately USD 33.7 billion in direct federal funding supports Intel, Samsung, and other manufacturers.

Strategic partnerships have become central to this cycle. Foundries, equipment suppliers, Hyperscalers, and governments increasingly co-invest to share risk, align capacity with demand, and secure supply. This model reduces historical boom-bust dynamics by tying capital deployment to long-duration AI and enterprise workloads rather than speculative volume growth.

Geopolitical Risk as a Structural Variable

Geopolitical risk has transitioned from an external shock to a core structural variable in semiconductor valuation. Trade policy, export controls, and regulatory frameworks now exert direct influence over pricing, capacity allocation, and capital planning.

Policy-driven volatility differs from traditional demand-cycle volatility: it is less abrupt but more persistent. Firms with geographically diversified, U.S.-aligned manufacturing footprints benefit from greater insulation, while concentrated operators face elevated earnings sensitivity. As a result, political intelligence and scenario planning have become essential components of semiconductor strategy heading into 2026.

Outlook for 2026: Structural Growth with Strategic Discipline

The global semiconductor market is projected to approach USD 975 billion by 2026, driven by AI adoption, cloud infrastructure, and domestic manufacturing investment. U.S. semiconductor sales are expected to reach approximately USD 339 billion, representing 34.4% year-over-year growth.

Growth increasingly favors advanced nodes and AI-centric products, where pricing power remains strong. Mature segments face margin pressure from overcapacity. Leadership in 2026 will be defined by capital efficiency, geopolitical alignment, and execution discipline rather than sheer scale.

Conclusion

The U.S. semiconductor industry is undergoing a fundamental realignment as industrial policy, geopolitical risk management, and AI-driven demand reshape the competitive landscape. The U.S.–Taiwan semiconductor partnership represents a durable shift toward domestic control of advanced-node capacity and supply-chain resilience.

While risks tied to policy shifts, cost inflation, and global trade fragmentation persist, they are increasingly offset by improved demand visibility and strategic clarity. Heading into 2026, semiconductors remain central to U.S. economic competitiveness and national security. The industry's next phase favors long-term value creation, disciplined capital deployment, and resilience over short-term cyclical expansion.



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RCK Analytics is a global provider of high-quality investment research, investment banking support, PE/VC insights, Gen AI solutions, market research, analytics, and assurance services. We serve a diverse client base including investment firms, PE/VC funds, asset managers, hedge funds, investment banks, consulting firms, and corporates across sectors. Backed by a skilled team, we deliver data-driven insights and strategic support to help clients make informed decisions and drive financial outcomes.



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