

# Japan open to paying half of setup costs for chip plants to attract US manufacturers

Article

**The news:** Japan is looking to bolster its position as a chip fabricating hub by offering to pay half of the cost of new chip manufacturing plants, [per](#) Bloomberg.

**Why it's worth watching:** Countries with industries affected by the chip and component shortages are ramping up plans to build onshore chip fabs. In Japan's case, it is hoping to attract US manufacturers by shoring up chip supplies.

- **Japan Prime Minister Fumio Kishida** unveiled a \$490 billion fiscal stimulus last week, stating that his government's priority was to attract chipmakers to set up production facilities in Japan.
- **Koichi Hagiuda, Japan's trade minister**, hinted that Japan was open to paying half the setup costs or more, although the final amount to be set aside has yet to be determined.
- Japan's government is looking at US manufacturers, in particular those specializing in the automotive and electronics space.
- Japanese multinational companies like **Toyota**, **Nintendo**, and **Sony** have all suffered losses and product delays due to the chip shortage.

**The big picture:** The global movement to bring chip production onshore to shore up supply chain problems and reduce the reliance on foreign chip manufacturers is gaining ground.

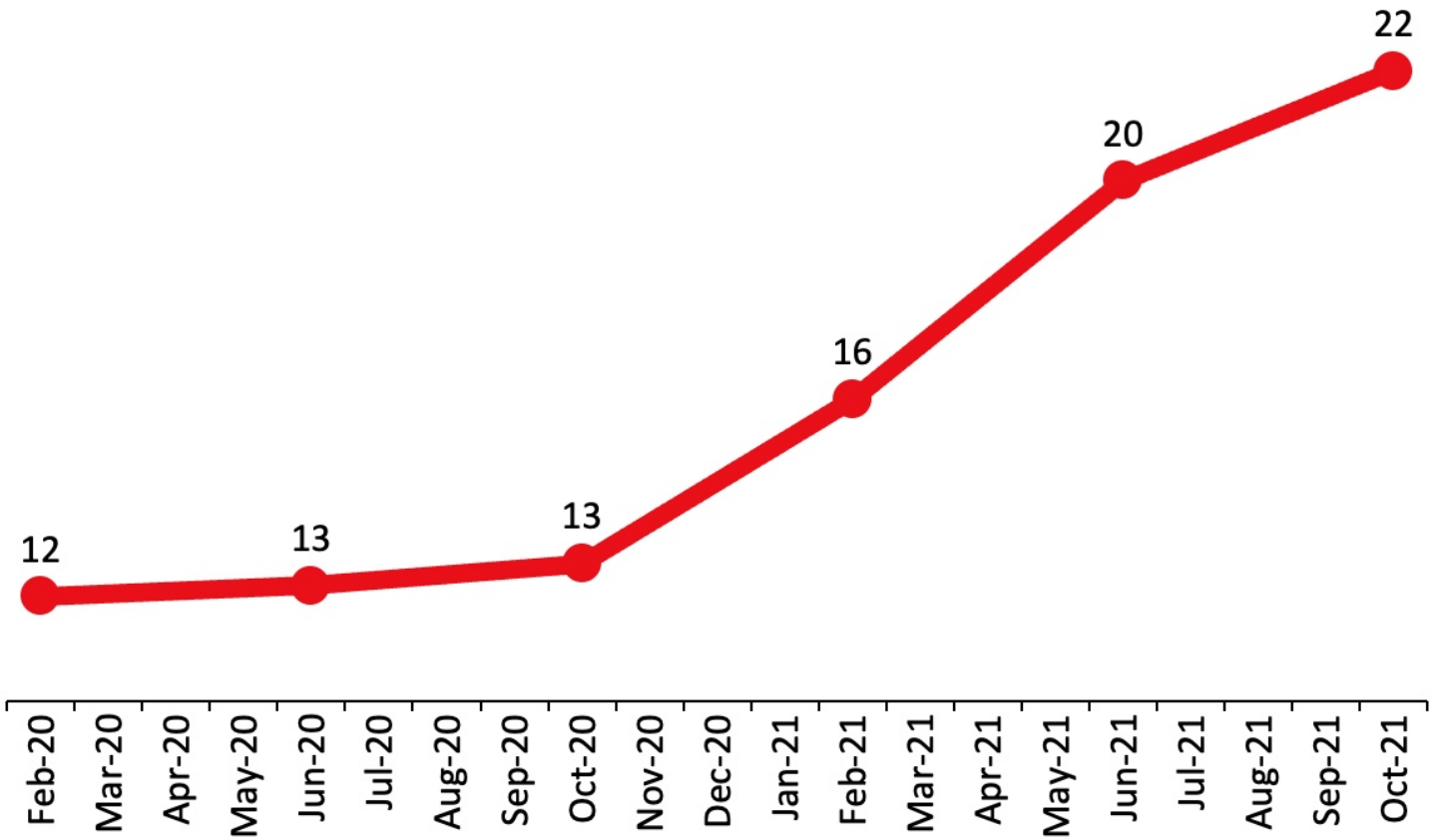
- Building foundries in key countries follows a **global trend** to **decentralize chip production** from supply chains rooted in Taiwan and China. TSMC, the world's largest chipmaker, is looking to Arizona, Germany, and Japan for its **future plants**, ostensibly to serve the burgeoning electronics and automotive industries in those areas.
- Many US cities and states, including Arizona, New York, and Texas, are offering incentives to manufacturers to **increase local chip production**.
- China, South Korea, and the EU are calling for semiconductor production to be **brought onshore**.
- If successful, these efforts could generate local job opportunities, help manage supply chains, and cut down on importation costs.

**What's next?** The widespread effects of the chip and component shortage will be felt this holiday shopping season, with various items in short supply, potential price increases, and all-around scarcity.

- Chips are being delivered 22 weeks after they are ordered, an all-time high that is expected to continue throughout 2022, potentially extending into **2023**.
- As more countries pivot to attract chipmakers, expect more incentives to sweeten the deal.

- Competition to snag manufacturers will likely intensify as countries and cities bid to entice these billion-dollar chip producers.

## Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2021

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