Trump administration's Intel stake challenges ethical, economic principles

spglobal.com/market-intelligence/en/news-insights/articles/2025/8/trump-administrations-intel-stake-challenges-ethical-economic-principles-92202578

28 Aug, 2025

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The US government announced a deal to take a 9.9% stake in Intel.

Source: Intel Corp.

The Trump administration's stake in Intel Corp. offers stability and security for the US company's short-term outlook, but experts warn it also carries significant long-term risks for the industry if it remains tethered to the White House's policy priorities.

Under a recent agreement between the chipmaker and the White House, the US government took a 9.9% stake in Intel valued at $8.9 billion, making the government the company's largest shareholder. Intel has already received $2.2 billion in grants via the CHIPS and

Science Act, bringing the total government investment in the company to $11.1 billion. The investment is a "passive ownership" with no board representation or other governance or information rights, according to Intel.

"As the only semiconductor company that does leading-edge logic [research and development] and manufacturing in the US, Intel is deeply committed to ensuring the world's most advanced technologies are American-made," said Lip-Bu Tan, CEO of Intel. "President Trump's focus on US chip manufacturing is driving historic investments in a vital industry that is integral to the country's economic and national security."

While the announcement drew praise from Microsoft Corp., Dell Technologies Inc., HP Inc. and Amazon Web Services Inc., policy experts expressed concern that US President Donald Trump's interventions in the industry could set a troubling precedent, making the company vulnerable to the volatility of election cycles and political agendas.

"Unlike China's long-term, disciplined and technocratic state capitalism, President Trump's version would be transactional and unpredictable," said Usha Haley, Barton Distinguished Chair in International Business and a professor at Wichita State University. "Rather than a coherent industrial strategy, tech investors should expect intense politics to steer Intel's and the chip sector's priorities, including [factories] in battleground states, mandates to buy American at any cost and abrupt shifts in trade policy with semiconductors as bargaining chips."

The investment in Intel came just weeks after Trump called for Tan to step down as Intel CEO following aletter from Sen. Tom Cotton, R-Ark., to Intel's board of directors expressing concern over allegations that Tan has investments in and ties to semiconductor firms with links to the Chinese Communist Party.

"The CEO of INTEL is highly CONFLICTED and must resign, immediately. There is no other solution to this problem," Trump posted on his Truth Social platform Aug. 7.

White House visit

Tan subsequently visited the White House before the Intel investment was announced. Trump called the deal "great for America" and suggested he would seek similar involvement in other companies, offering to "help those companies that make such lucrative deals with the United States."

Irina Tsukerman, geopolitical analyst and president of Scarab Rising Inc., said the deal's success will hinge on how involved the government becomes in steering Intel's path.

"A light touch might deliver stability, domestic capacity and research strength," Tsukerman said. "Heavy interference could leave Intel chained to obsolete projects and unable to adapt quickly to technological change. History suggests that once government takes hold, the urge

to steer rarely fades."

Critics of the deal, including Scott Lincicome, vice president of economics and trade at the Cato Institute, argue there are other ways the US government could support Intel through market and nonmarket mechanisms without the risk of taking a large stake in a company that has struggled in recent quarters.

"State-owned enterprises are notoriously slow, bloated and unproductive," Lincicome wrote on social media. "Subsidies, long-term contracts, visas, tariff relief, permitting relief, tax relief, etc., are all better [alternatives]."

Ann Skeet, senior director of leadership ethics at the Markkula Center for Applied Ethics of Santa Clara University, said an arrangement like Intel's with the Trump administration could lead to a misalignment of interests.

Skeet noted that the administration, for example, could condition other companies' access to restricted markets such as China on the use of Intel chips or manufacturing capacity.

"Dictating the terms of production and making decisions for companies may or may not be in the best interests of their shareholders," Skeet said.

"It puts them on a path for there to be potential problems down the road, because the government is starting to take this more interventionist action."