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TECHNOLOGY | CAPITAL ACCOUNT

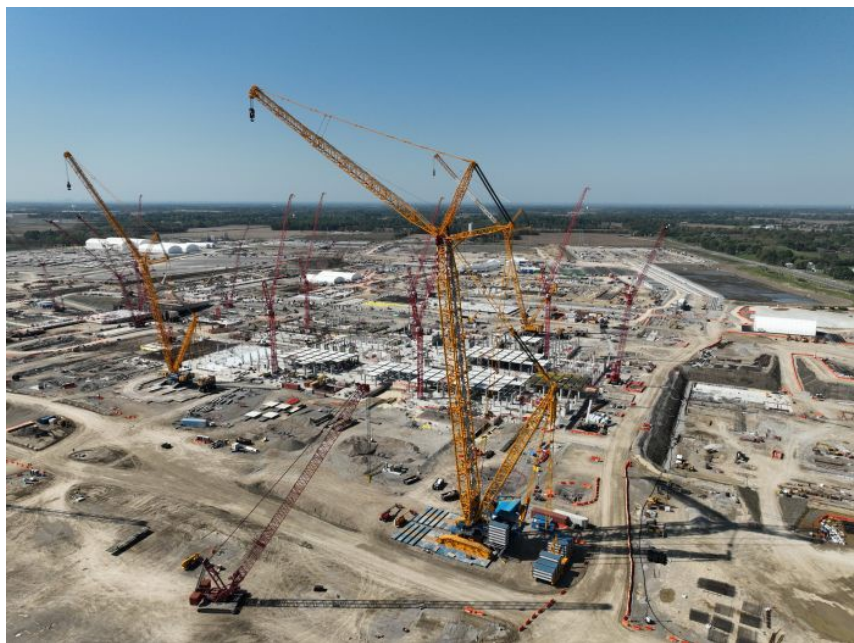
With Intel, U.S. Has a Stake Without a Strategy

Trump's forays into private business appear driven by money rather than an overarching plan to bolster American competitiveness



By *Greg Ip* [Follow](#)

Aug. 29, 2025 7:00 pm ET



The Intel Ohio One construction site in Licking County, Ohio. PHOTO: INTEL CORPORATION/ASSOCIATED PRESS

The U.S. has historically shied away from putting money into private business. It can't really outguess the market on where the most promising returns lie.

Yet there are exceptions. Sometimes a company or industry risks failing without public support, and that failure would hurt the whole country, not just its shareholders and employees.

Intel meets both conditions. It isn't failing, but it is losing money, its core business is in decline, and it lacks the capital and customers needed to make the most advanced semiconductors.

If Intel were to fail, it would take a sizable chunk of the semiconductor industrial base with it. At a time of existential competition with China, that is a [national emergency](#).

“It is a crisis, and there has been direct government intervention in times of crisis before,” said Jimmy Goodrich, senior adviser for technology analysis to RAND, a research organization.

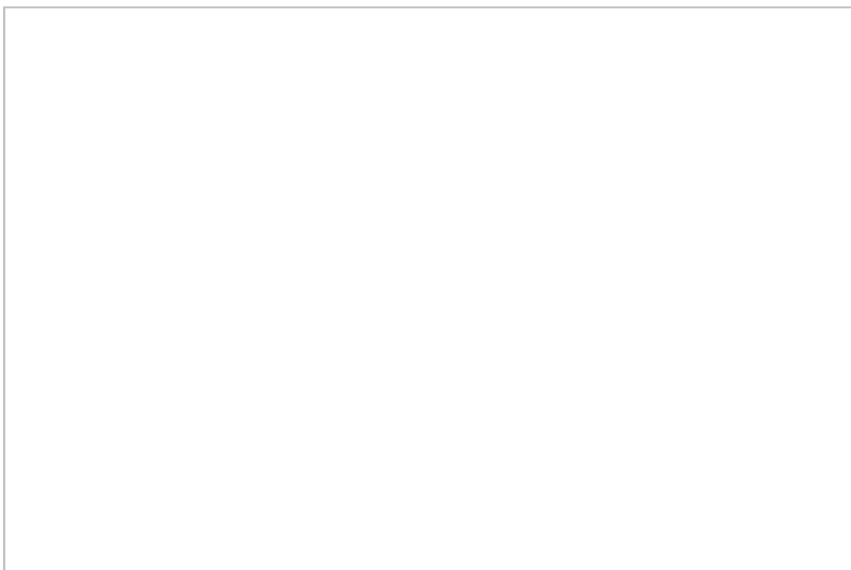
During the 2007-09 recession, Washington injected funds into banks and car companies. Just as their survival was a “national security and livelihood issue, so is the ability to produce chips,” said Goodrich.

This represents a reasonable rationale for the Trump administration’s 9.9% stake in Intel. And yet that isn’t the rationale Trump has advanced. His motive seems to be, simply, money. As he declared on [social media this past week](#): “I PAID ZERO FOR INTEL, IT IS WORTH APPROXIMATELY 11 BILLION DOLLARS.”

Officials have since said Intel could be the template for future transactions. Commerce Secretary Howard Lutnick suggested this past week Trump might demand stakes in defense contractors such as [Lockheed Martin](#).

But to what purpose remains unclear. To compete with China, spur investments in critical technology and revitalize manufacturing? Or to extract value from private enterprise?

Trump seems to pick companies not based on their strategic significance, but his leverage. As Trump told reporters in the Oval Office this past week: “If people come in and they need something...they usually have to pay. You do have stupid people say that’s a shame. That’s not a shame. It’s called business.”



President Biden at the 2022 groundbreaking ceremony of Intel's semiconductor manufacturing facility in Ohio.

PHOTO: JAMES D. DECAMP/ZUMA PRESS

Businesses need a lot from the federal government, from approving mergers to cooperation on regulations. All that provides Trump with plenty of potential leverage. For chip companies [Advanced Micro Devices](#) and [Nvidia](#) to sell certain chips to China, they will have to pay [15% of their sales](#) to the U.S.

More tax than investment

Intel's problems date back decades. It grew fat designing and making the chips that power personal computers, then missed the boat on mobile phones and the graphics-processing units that drive artificial intelligence, where Nvidia leads.

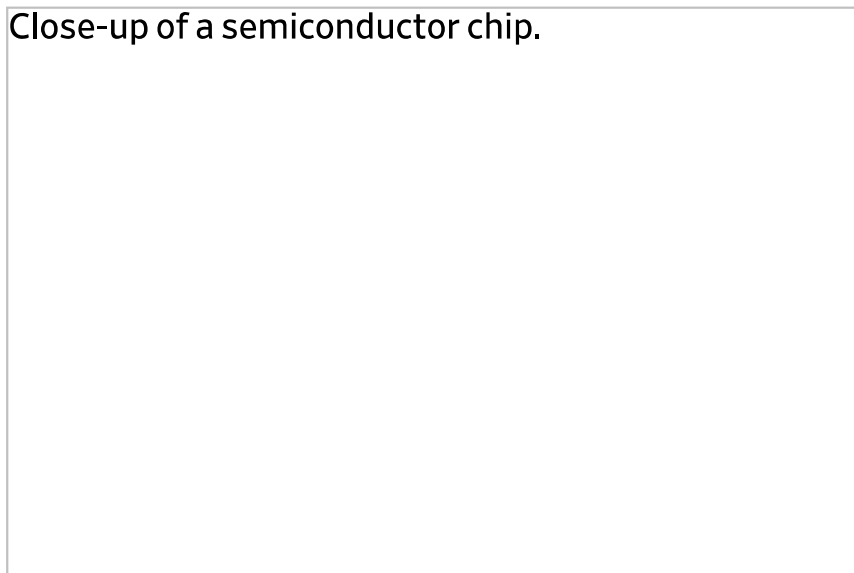
Meanwhile, it lost the lead in manufacturing prowess to [Taiwan Semiconductor Manufacturing Co.](#), which pioneered the “foundry” model: making chips designed by companies such as Nvidia, [Apple](#), AMD and [Qualcomm](#).

Intel has since set out to compete with TSMC in foundry services. To help it finance the necessary fabrication plants (fabs), the Biden administration contributed \$11 billion in grants and defense contracts from the CHIPS and Science Act, of which \$2 billion has been disbursed. But Intel has struggled to attract foundry customers, and it has [pushed back](#) completion of a \$28 billion fab complex in Ohio from 2025 to 2030.

Like former President [Joe Biden](#), Trump wants more of the most advanced semiconductors vital to both civilian and military applications made in the U.S. Lutnick said as a shareholder, the U.S. would help Intel “to create the most advanced chips in the world.”

And yet the deal doesn't provide Intel with new resources to accomplish that. Rather, to get the remaining \$9 billion, Intel had to give the U.S. equity. This is more like a tax than an investment: Shareholders gave up a 10th of their ownership in return for money the company was supposed to get anyway. Nor is it clear what, beyond equity, the U.S. gets in return. Intel indicated in a securities filing it is no longer bound by CHIPS conditions tying grants to future milestones in building fabs critical to national security.

Close-up of a semiconductor chip.



An image of a semiconductor chip at the Taiwan Semiconductor Manufacturing Co. Museum of Innovation. PHOTO: I-HWA CHENG/BLOOMBERG NEWS

Some of the administration's forays into private business do reflect strategic thinking, such as the Pentagon's [15% stake in MP Materials](#) in exchange for investment and contracts that help make the company a viable alternative to China as a supplier of rare-earth magnets for products such as automobiles, wind turbines, jet fighters and missile systems.

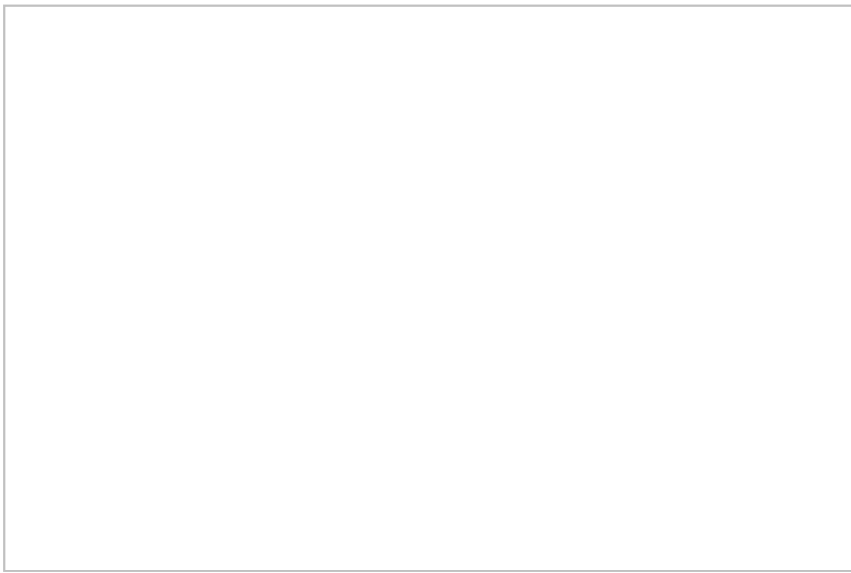
But more often, companies recoil from government ownership. Big banks that accepted money from the Troubled Asset Relief Program in 2008-09 quickly repaid it to escape conditions such as limits on executive pay and dividends. [Boeing](#) rejected federal Covid relief loans in 2020 to avoid handing over equity.

Had CHIPS grants required recipients to give up equity, as Sens. Bernie Sanders (I., Vt.) and Elizabeth Warren (D., Mass.) once proposed, the companies wouldn't have taken the money.

Could this be good for Intel?

Though the U.S. stake dilutes Intel's existing shareholders, its stock has held up. There could be several reasons. It eliminates uncertainty over whether the remaining \$9 billion in federal funds will be forthcoming. Trump is no longer demanding Chief Executive Lip-Bu Tan resign [over past ties to China](#).

And because Washington has a vested interest in Intel's share price, investors believe it may prod companies such as Nvidia and Apple to buy more of its chips. "An upside case could potentially come to fruition if the US Government pushes these companies to engage more immediately with Intel on foundry services," UBS analysts wrote.



President Trump wants more of the most advanced semiconductors vital to both civilian and military applications made in the U.S. PHOTO: CHIP SOMODEVILLA/GETTY IMAGES

The Trump administration could use tariffs, licensing or other levers to force companies to buy from Intel. Orchestrating such transactions would be another step toward Chinese-style [state capitalism](#). Beijing routinely compels domestic consumers, companies and governments to buy from its designated national champions instead of western competitors.

Ideally, that sort of coercion wouldn't be necessary. American tech companies would welcome a domestically based supplier of advanced chips to limit their reliance on TSMC and South Korea's [Samsung](#).

“If Intel can prove they can make these leading-edge products in high volume that meets specifications at a good cost structure, they'll have customers lined up around the block,” said analyst Stacy Rasgon of Bernstein. “If they can't prove they can do it, what customer will put meaningful volume to them regardless of what pressure the U.S. government brings to bear?”

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Appeared in the August 30, 2025, print edition as 'With Intel, U.S. Has Stake Without Strategy'.

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