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“The importance of transatlantic cooperation on semiconductors”

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We all know where and how concentrated semiconductor manufacturing is, including the highly advanced one.

To rebalance the global supply chains of semiconductors, the transatlantic partnership is fundamental. It can enhance the security of supply.

The EU and the US need to continue working together on both identifying gaps in the semiconductor value chain and on strengthening their domestic semiconductor ecosystems.

On both sides of the Atlantic, already the pandemic revealed the limited capacities to increase supply of chips in the short term.

Then, the war has brought new challenges to the resilience of supply chains and especially in a time of a global technological race.

It is also clear that building semiconductor production capacities requires time, especially if what is at stake is building a cutting-edge manufacturing base that is globally competitive.

The challenge not only relates to having a general manufacturing expertise, but also improving specific expertise in advanced design; building, expanding or modernizing facilities and equipment; and developing complex software.

In reality, R&D and developing the necessary skills seems crucial throughout the entire chip supply chain.

Both the EU and US have undertaken policies that should result in substantial additional public and private investment in support of their CHIPS Acts.

The US President signed the US Chips Act into law on 9 August 2022.

The Act allocates more than $54 billion authorizing the departments of defense, commerce and state to develop onshore domestic manufacturing of semiconductors critical to US national security and competitiveness, invest in research & development in advanced semiconductors, and into workforce trainings.

The Act promotes US domestic competitiveness and accelerates development of an open model that would allow for alternative vendors to enter the market for specific network components, rather than having to compete with Huawei end-to-end.

It also limits the scope of global involvement of telecommunication companies with close ties to other countries presenting national security concerns.

The importance of Transatlantic cooperation on semiconductors was underlined in the inaugural joint statement of the TTC in September 2021.

Cooperation on semiconductors is an example of what we badly need in our transatlantic relationship, which is working not on the issues of yesterday but addressing challenges ahead of us.

Technical discussions have been taking place within the TTC framework in WG 3, 5 and 1.

In particular, WG 3 has a dedicated track on semiconductors where the US administration and the Commission exchange information on the incentives mechanisms of their respective CHIPS acts to guarantee that subsidies are in line with WTO rules.

In May of this year, the EU and US made clear their intention of increasing transparency and monitoring of value chains, including setting up an alert system, sharing information, increase production while avoiding subsidy race.

However, with such major cash-injection in domestic semiconductor industries, there is a risk of a subsidies race to the bottom.

The EU and the US should prevent at all costs a new “Airbus-Boeing”-like WTO case.