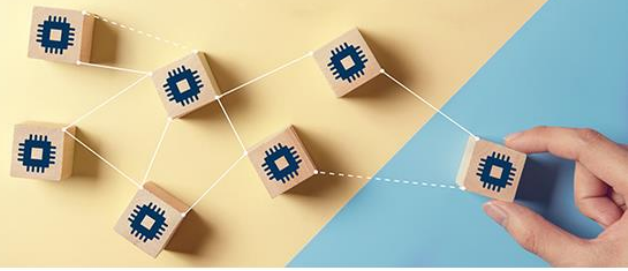


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The Weak Links in China's Drive for Semiconductors



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Paris, January 14, 2021 – Semiconductors have become the theatre of the US-China technological rivalry. The American offensive, which initially targeted Huawei and its affiliated companies, is now attacking China's entire semiconductor industry, with consequences for all the players in the sector. A few days ahead of Joe Biden's investiture, whose decisions on the matter will be decisive, European leaders need to play their cards right and act strategically to clarify their position in the semiconductor supply chain.

In the policy paper "The Weak Links in China's Drive for Semiconductors" published today, Institut Montaigne sheds light on this cutting-edge industry. The author, Mathieu Duchâtel, director of the think tank's Asia Program, puts forward five policy recommendations calling on Europe to build on the strengths of its own semiconductor industry. A defensive approach is needed in coordination with the United States but given Europe's advantages and the post-Covid-19 recovery packages, this is also a time of opportunity for targeted support to strengthen the competitiveness of the European semiconductor industry.

"Year 2021 will be pivotal to the future of microelectronics in Europe. The US offensive against the Chinese semiconductor industry will not disappear overnight under the Biden administration - semiconductors will stay at the centre of the geopolitics of tech. European leaders should work on Europe's existing strengths to reduce its vulnerabilities to future external shocks" Mathieu Duchâtel explains.

Our policy recommendations to strengthen Europe's autonomy regarding semiconductors

- Focus policy support on Europe's chokepoint technology (EUV lithography, EDA software tools) and key strengths (IC design for the automotive industry, microcontrollers, low-power technologies).
- Prioritize research and development.
- Hold in 2021 a European conference with all stakeholders from industry and government, to examine options and the costs of building an advanced foundry in the European Union.
- Strengthen technology transfer controls to address the issue of military end-users in China.
- Build transatlantic convergence on technology transfers in the semiconductor industry as a matter of strategic priority in 2021.

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About Institut Montaigne: *Founded in 2000 and based in Paris, Institut Montaigne is an independent thinktank dedicated to public policy in France and Europe. Its work is the result of a rigorous, critical and open method of analysis based on international comparisons. This pioneering non-profit think tank brings together business leaders, senior civil servants, academics, civil society and personalities from a wide range of backgrounds. It is run exclusively through private contributions, each representing less than 1,5% of its annual budget, which amounts to € 6.5 million. Through its various actions - proposals, evaluations of public policies, citizen participations and experimentations - Institut Montaigne aims to fully play a key role in the democratic debate.*

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