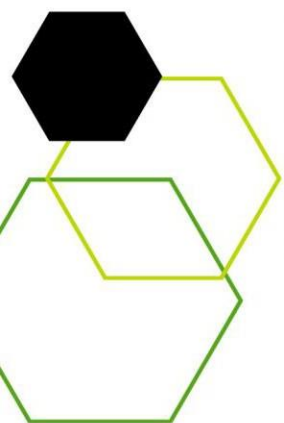
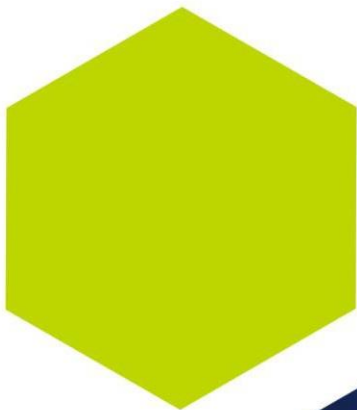
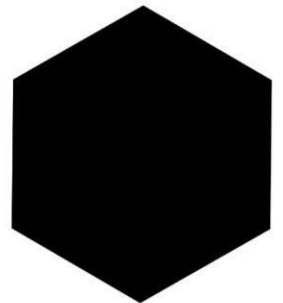


SEMI Europe Recommendations on Outbound Investments

Priorities to the European Commission, European Parliament and the Council of the European Union



Background

Following the “*Joint Communication on a European Economic Security Strategy*”¹ published last year in June, this year on January 24th the **European Commission has published five initiatives** as part of its **European Economic Security Strategy**, aimed at minimizing the risks arising from increased **geopolitical competition** and rapid **technological shifts**, while preserving **economic openness and competitiveness** in the European Union (EU).

Among these initiatives, the European Commission has published a **White Paper on Outbound Investments**² outlining a **non-binding roadmap to monitor outward investment transactions** with the ultimate goal of **preventing technology and know-how leakage** in four critical technology areas, including ‘advanced semiconductor technologies’, whose **dual-use applications** could enhance the military and intelligence capabilities of third countries that might threaten international peace and security.

In this context, SEMI Europe – a global industry association representing **3,000+ companies (300+ companies based in Europe)** from across the **microelectronics manufacturing and design supply chain** – welcomes the opportunity to share its priorities on the White Paper on Outbound Investments, especially considering the **crucial role of cross-border investments** for the functioning and prosperity of the European semiconductor industry.

SEMI Recommendations to the European Union

In this light, based on the comments and observations presented throughout this document, SEMI Europe encourages all the policymakers involved in this topic to consider the following policy recommendations:

- European semiconductor companies must be **as free as possible in their investment decisions** or otherwise risk losing their agility and relevance across global markets.
- **A pragmatic risk-based approach** to comprehensively assess which outbound transactions related to advanced semiconductor technologies could result in technology leakage for dual-use purposes.
- Further clarification on how any potential measures would **affect intra-company investments and relations with non-EU subsidiaries**, given the international exposure of semiconductor companies.
- Develop an approach to outbound investments that effectively contributes to greater economic security, through **close consultations between European institutions, Member States and all relevant industry stakeholders**.
- Exploit the **synergies and positive feedback effects** that the semiconductor supply chain has in **increasing competition, cross-border investments and transnational collaboration**.

¹ European Commission, JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON “EUROPEAN ECONOMIC SECURITY STRATEGY”, June 2023. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023JC0020>.

² European Commission, WHITE PAPER on Outbound Investments, January 2024. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52024DC0024>.

Cross-Border Investments in the Semiconductor Industry

The semiconductor supply chain, involving tens of thousands of players distributed around the world, is extremely **specialized, interconnected, and globalized**, thus requiring a high degree of **openness and collaboration** for the **design, manufacturing, testing, packaging and distribution** of semiconductors. Within this complex ecosystem, outbound investments are regarded by the vast majority of SEMI members as essential to **scale production, expand capabilities, access emerging markets, and engage in innovative partnerships**.

The well-functioning of the global semiconductor supply chain vitally depends on there being a **high level of cross-border investment and transnational cooperation**. Over the last decades, European semiconductor companies have greatly benefitted from these two elements, thereby enhancing their **competitiveness and technological capabilities**, while also contributing to **strengthening the European economy and achieving greater economic security**. On this matter, the data clearly shows that European semiconductor companies are highly interconnected with suppliers and customers located outside the EU, as around 80% of suppliers to European semiconductor companies are headquartered outside the EU, while European semiconductor suppliers have, on average, only 37% of their clients based in the EU.³

The future growth of the European semiconductor ecosystem will undoubtedly depend on businesses' capacity to seamlessly penetrate emerging markets, offering high levels of innovation, human capital, consumer demand, government support and access to energy sources and raw materials. Therefore, in order to guarantee its long term success, our companies must be **as free as possible in their investment decisions or otherwise risk losing their agility and relevance across global markets**. For this reason, SEMI Europe holds that the European Commission's approach to outbound investments should be **effective, proportionate, targeted and enforceable** on the basis of clearly identified risks and objectives, without excessively interfering **within the realm of companies' business strategies and decisions**.

Scope of Outbound Investment Screening


The **potentially large scope** of outbound investments raises several questions on how Member States and companies will **monitor investment transactions without disclosing sensitive business information**, thus requiring further specifications on the range of investment transactions⁴ and technology areas⁵ that would fall under the scope, in order to avoid inconsistent interpretations and arbitrary decisions that could adversely affect the European semiconductor industry.

³ Joint Research Centre, The position of the EU in the semiconductor value chain: evidence on trade, foreign acquisitions, and ownership, 2022. URL: <https://joint-research-centre.ec.europa.eu/system/files/2022-04/JRC129035.pdf>.

⁴ European Commission, WHITE PAPER on Outbound Investments, January 2024. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52024DC0024>.

⁵ European Commission, Commission recommends carrying out risk assessments on four critical technology areas: advanced semiconductors, artificial intelligence, quantum, biotechnologies, October 2023. URL: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4735.



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‘Advanced semiconductor technologies’ represent an extremely broad field that is rapidly evolving. While it encompasses dual-use technologies, it also includes **non-dual-use** ones with strictly civilian applications, which are present in a myriad of electronic devices and systems that are vital in key industries, including but not limited to healthcare, energy and transportation. Therefore, **the scope of advanced semiconductor technologies** in the context of outbound investment transactions **must be well-defined**, given the risks of disproportionate measures that could, on the one hand, disrupt the European semiconductor ecosystem and, on the other hand, hamper socioeconomic development in the EU and beyond. A pragmatic **risk-based approach will be needed** to comprehensively assess which outbound investment transactions related to advanced semiconductor technologies could result in technology leakage for dual-use purposes.

European semiconductor companies typically carry out outward investments with the goal of accessing specific technologies, penetrating relevant market sectors and leveraging complementary capabilities with subsidiaries, among other reasons. The range of outward investment transactions currently proposed for monitoring by Member States in the White Paper is **very broad**, and SEMI Europe feels that it will be essential to narrow it down on the basis of the basis of clearly identified risks and objectives, while taking into account the **fundamental functions of cross-border investments** for the European semiconductor industry.


In this context, the monitoring of investments in the field of **research cooperation and the mobility of highly specialized personnel** should be approached with particular care and the necessary safeguards. While SEMI Europe’s Member companies are sensitive to the implications of the movement of employees for the protection of intellectual property, the tools currently examined by the European Commission raise numerous questions with regard to its **scope and practical (potentially invasive) implications** for European companies with a significant international footprint.

Research cooperation is integral to the semiconductor industry and it is a key driver for innovation and growth in multiple related industries. Considering the increasing **need and competition for highly-skilled talent**, the transfer of research personnel is fundamental for the **day-to-day operations** of our companies. SEMI Europe welcomes the European Commission’s acknowledgement that certain industries are global in nature and structure, which is undoubtedly the case for semiconductors, and thus we stress that any future outbound investment screening mechanism should not put our companies at a **disadvantage in the global race for talent**.

In this regard, SEMI Europe would also appreciate further clarification on how any potential measures on outbound investments would **affect intra-company investments and relations with non-EU subsidiaries**, especially considering the international exposure of most European semiconductor companies. Intra-company investments are a fundamental element within the increasingly globalized semiconductor supply chain, as these can facilitate the **transfer of skills, knowledge, technology, and innovation** within a company, providing increased economic opportunities for European semiconductor companies and putting the EU in a **stronger position vis-à-vis third countries**.

At this point in time, it remains unclear whether European companies would become **obliged to notify authorities** on any investment regarding **research cooperation, mobility of highly specialized personnel** and other types of **intra-company investments**. This approach could easily become an undue burden for the semiconductor industry, where **time-to-market and productive efficiency** represent vital factors of



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competitiveness, and further clarification would be required on how this would apply in the sphere of intra-company investments and relations with non-EU subsidiaries. As a result, in its approach on the topic of outbound investments, we encourage the European Commission to **further address these aspects** and to not infringe on the ability of European multinational companies to carry out the necessary investments to sustain their operations.

Disclosure of Sensitive Business Information

SEMI Europe is concerned about the potential introduction of far-reaching reporting obligations that would place an excessive **administrative burden** on semiconductor companies. This concern is exacerbated by the fact that our industry is characterized by a **highly opaque supply chain** due to an overarching **imperative for companies to protect their intellectual property, trade secrets, and other forms of sensitive business information**. Considering the extent of sensitive data that could be required by the European Commission or Member States to conduct thorough assessments on outbound investment transactions, SEMI Europe strongly cautions against unnecessary requests that could potentially involve the disclosure of sensitive business information.

European semiconductor companies have a **paramount interest in protecting their technology and know-how**. No entity other than them is better suited to monitor their investment transactions and safeguard their tangible and intangible assets accordingly with the same level of depth and understanding. **Access controls, centralized data management, and confidentiality agreements** are only a few of the effective strategies they regularly put in place to protect information related to critical technologies overseas.

Furthermore, in determining the extent of information to be requested from companies, the European Commission should definitely take into account the **already existing legislative framework** in the field of economic security – **Merger Control, Foreign Subsidies Screening and Foreign Direct Investment Screening** – and the **cumulative administrative burden** that this would lead to. In this framework, European companies already abide by **numerous and far-reaching requirements**, and thus a hypothetical measure of outbound investment screening should collect the relevant information through the already existing mechanisms to the greatest extent possible, in order to lessen the administrative burden on companies and to ensure a harmonized approach.

For this reason, in our view the White Paper on Outbound Investments should foresee a **structured dialogue with industry stakeholders**, based on a common understanding of supply chain risks and economic security, which is of utmost importance to derive meaningful conclusions and effective policy decisions. Any reporting obligations to the companies must be in line with a positive approach to economic security that places equal emphasis on protecting, promoting, and partnering, thereby **reducing administrative burden and preserving the confidentiality of data**. As a result, SEMI Europe highlights the need to develop an approach to outbound investments that effectively contributes to greater economic security, through close **consultations between European institutions, Member States and all relevant industry stakeholders**.



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Risks of Global Trade and Investment Fragmentation

The excessive **instrumentalization of outbound investment screening** could significantly undermine the global nature of the semiconductor industry, stifle innovation, and ultimately harm multiple technological ecosystems that depend on semiconductor technologies, to the overall detriment of Europe's economic security and overall employment level.

While the complexity of the semiconductor supply chain can create vulnerabilities and strategic dependencies, it also **promotes collaboration and prevents one single country from dominating the whole industry**. We believe that EU policymakers should indeed exploit the **synergies and positive feedback effects** that the semiconductor supply chain has in **increasing competition, cross-border investments and transnational collaboration** mainly through industrial partnerships and joint research and development efforts.

Accordingly, SEMI Europe strongly advocates for a more constructive approach that ensures greater efforts to **preserve multilateral cooperation and sustain collaborative dialogue**. Any future outbound investment screening mechanism should not contribute to greater **trade and investment fragmentation**, as this would drive the European economy towards **lower growth, increased prices, regulatory instability, and uncertain trade relations and partnerships**, even among allies. On this matter, SEMI Europe emphasizes the need to develop **long-term solutions** to avoid escalations that disrupt the European semiconductor industry and ultimately threaten Europe's economic security.

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