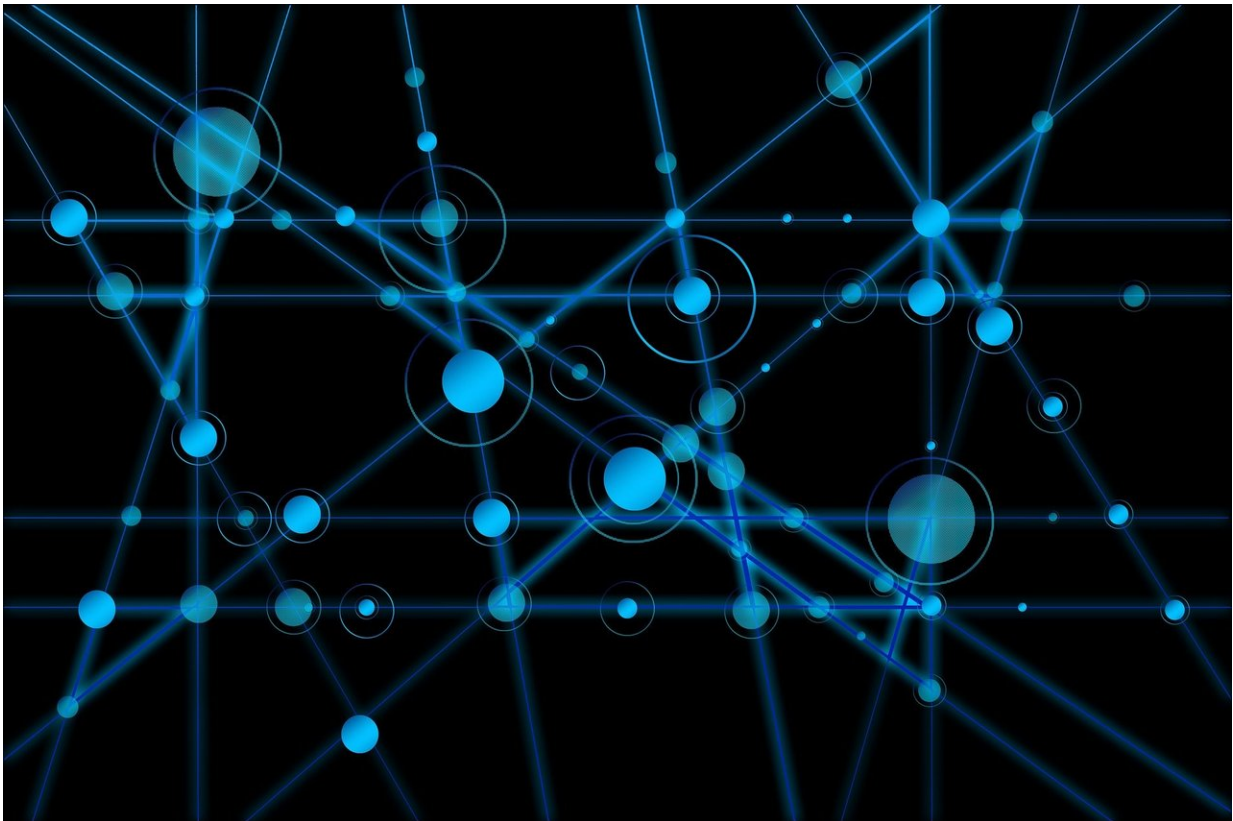


Some firms resisting pressure to take sides in 'chip war'

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New research has revealed why German firms are refusing to join the United States' tech trade war with China over semiconductor chips, a key component in modern electrical devices.

King's College London and University of Sussex researchers found links between German car makers like Mercedes-Benz, BMW and Volkswagen, and the country's semiconductor firms. With automotive companies now dependent on Chinese markets and suppliers, the researchers say this explains why Germany is defying U.S. calls to cut China out of semiconductor supply chains in an ongoing global trade dispute known as the "chip war."

Dr. Joseph Baines, from the Department of European and International Studies at King's, said, "While the tech conflict is chiefly driven by governments, it is executed through firms, making corporate interests a crucial intervening variable in U.S. attempts to isolate China's semiconductor industry."

Dubbed "the world's most critical technology" in a 2022 book on the subject, semiconductors are used in modern electronics like smartphones, medical devices and routers. The industry is worth more than \$500bn and expected to double by 2030.

Dr. Steven Rolf, from the University of Sussex Business School, said, "China spends more on importing semiconductors than oil and the U.S. is using all its leverage to get European firms to turn off the tap. The pressure is huge. Which is why it's been so interesting to see German players ignoring calls to separate, or decouple, from China.

"Once you see how deeply German automotive and semiconductor interests are wedded together it makes sense. They're stuck in the middle, vulnerable to U.S. powers on tech, and China on cars. For now, it looks like they're sticking with the latter."

The study found German semiconductor firms are no more dependent on Chinese markets than those in Japan or South Korea, countries which have supported American efforts and even withdrawn from China

altogether. Yet what the researchers term "secondary exposure," through links to other important industries like car makers, has led them to resist the U.S. embargo.

Dr. Julian Germann, from the University of Sussex School of Global Studies, added, "Germany's semiconductor industry may not be the largest, but its strategic importance to the U.S. China chip war is undeniable. The calculated defiance by firms at the frontline of US China competition suggests that the next American president would need to ramp up pressure on Germany to enforce tech sanctions against China."

The paper, [published](#) in *Politics and Governance*, analyzes new trade datasets and annual company reports. It is part of an ongoing study into the role businesses across the world are playing in US-led initiatives to decouple its economic relations with China.

More information: Julian Germann et al, A Chip War Made in Germany? US Techno-Dependencies, China Chokepoints, and the German Semiconductor Industry, *Politics and Governance* (2024). [DOI: 10.17645/pag.8265](#)

Provided by King's College London

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