

# ESIA feedback

## to the Call for Evidence for an Impact Assessment for the Single Market Emergency Instrument (SMEI)

Brussels, 11 mai 2022

The European Semiconductor Industry Association (ESIA) welcomes the opportunity to submit the below comments on the *Call for evidence for an impact assessment* for the *Single Market Emergency Instrument (SMEI)*.

- ESIA supports the preparation of a thorough impact assessment prior to presenting any legislative or non-legislative SMEI-related initiatives. This is necessary to identify potential problems, set out the policy options and assess the likely positive and negative impacts emerging from the different options.
- It is essential that any SMEI-related measure be streamlined and consistent with the proposed European Chips Act Package, currently under discussion. Double regulation is to be avoided.
- The effectiveness and appropriateness of measures, accompanied by the intense involvement of affected stakeholders in decision-making processes, must be the guiding principles for any new potential measure.
- The design of Pillar 3 of the EU Chips Act shows how crucial a proper assessment and understanding of specific supply chains and corresponding bottlenecks is; ESIA does not think that introducing measures along the lines of the Pillar 3 of the Chip Act in the SMEI will be impactful and help prevent future disruptions. It is crucial to thoroughly identify those sectors where measures would actually help enhance the Single Market's resilience. The specifics of different industrial sectors and supply chains must be taken into account when drafting horizontal measures.
  - For example, the model used during the COVID-19 pandemic response to help ensure supply of medical equipment will not be effective in addressing potential semiconductor supply issues.
  - The complexity of semiconductor products and supply chains should not be underestimated: hundreds of suppliers are involved globally in the manufacturing of a single semiconductor product; hundreds of manufacturing process steps are

needed; chip factories are not homogeneous: most are able to manufacture semiconductors based only on a specific kind of technology; today, a car comprises ca. 1000, a smartphone ca. 160 different chips; most chips are not “off-the-shelf” or “one-size-fits-all” products; requirements by downstream users of semiconductors are specific and vary over time. Finally there are many different reasons why supply issues may occur: from the unavailability of tools and equipment, raw and ultrapure materials, gas and chemicals, to worldwide logistics’ outages between Front-End and Back-End manufacturing facilities, etc. Such unique characteristics and factors should be considered when designing horizontal SMEI-related measures.

- Resilience must not be interpreted in a too operational and vertical way, for example introducing static “toolbox” measures – such as upfront collection of massive amounts of data, priority orders, joint procurement of chips or export controls – which will not be effective in preventing or addressing disruptions. Resilience must be addressed on a horizontal level based on a strong and institutionalized alignment with industry to understand the real issues of why specific supply chains are disrupted in that specific crisis which may occur in the future. Any measure should be last resort, with the main aim of safeguarding the lives and well-being of Europeans, the goal being to target the right parts of the supply chain with the right measures.
- An appropriate scope and legally sound definition of “*crisis*” will be necessary. Future risks and disruptions will be different from those of the past. For example it is important to understand that the current chip shortage is a consequence of the rising demand for chips during the pandemic, coupled with significant fluctuations in chip demand from sectors such as automotive and industrial. As a consequence, a rippling supply-demand imbalance was felt across the world. “Just-in-time” supply chains of downstream sectors increase the risk of disruptions since they do not reflect the long lead times for chip production (4-6 months) and they certainly do not yet take into account the geo-political challenges of the present and the future. The chip shortage caused by the COVID-19 pandemic is not a symptom of structural deficiencies in the Union’s semiconductor value chain.

ESIA looks forward to continuing to support the EU in identifying potential problems and set out the policy options to improve resilience in the single market.

**For further information:**

Hendrik Abma

Director-General

European Semiconductor Industry Association (ESIA)

Tel: + 32 2 290 36 60 • Web: <https://www.eusemiconductors.eu/>

**ABOUT ESIA**

*The European Semiconductor Industry Association (ESIA) is the voice of the semiconductor industry in Europe. Its mission is to represent and promote the common interests of the Europe-based semiconductor industry towards the European institutions and stakeholders in order to ensure a sustainable business environment and foster its global competitiveness. As a provider of key enabling technologies, the industry creates innovative solutions for industrial development, contributing to economic growth and responding to major societal challenges. Being ranked as the most R&D-intensive sector by the European Commission, the European semiconductor ecosystem supports approx. 200.000 jobs directly and up to 1.000.000 induced jobs in systems, applications and services in Europe. Overall, micro- and nano-electronics enable the generation of at least 10% of GDP in Europe and the world.*