

TSMC looking to expand to Germany and Japan in efforts to decentralize chip production

Article

The news: TSMC, the world's largest chipmaker, is considering building its first European semiconductor plant in **Germany** as well as expanding into **Japan**, per Nikkei Asia. While the

plans are still in preliminary stages of seeking potential partners and assessing needs, they mark a **shift in strategy** for TSMC, which has historically concentrated the majority of its chip production in **Taiwan**.

Why it's worth watching: Building foundries in key countries follows a [global trend](#) to **decentralize chip production** from supply chains rooted in Taiwan and China.

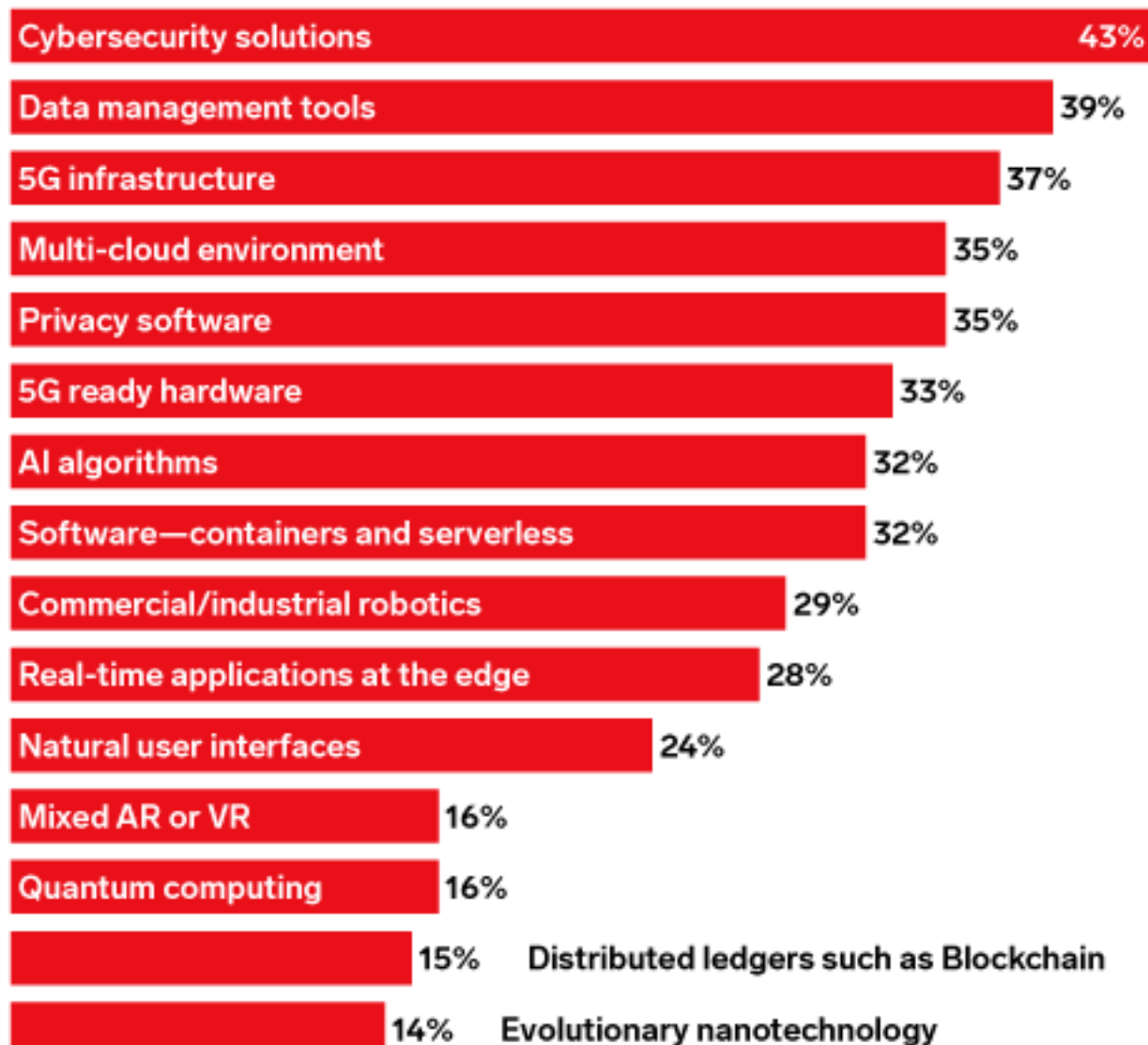
- TSMC has already started expanding out of Taiwan, breaking ground on its own [\\$12 billion factory in Arizona](#) with plans to build as many as six fabs there in a 15-year span, [per](#) Reuters.
- Japan and Germany are the world's third- and fourth-largest auto manufacturers respectively, [according to](#) The World Population Review. Having accessible automotive chips built locally simplifies supply chains and helps TSMC segment chip manufacturing and earn various government incentives in those countries.
- **China, South Korea**, and the **EU** are calling for semiconductor production to be [brought onshore](#). The **US** is similarly looking to invest in local foundries as part of President Biden's [United States Innovation and Competition Act](#) (USICA). If successful, these efforts could generate local job opportunities, help manage supply chains, and cut down on importation costs.

The takeaway: Building factories in key markets helps TSMC ramp up chip production specific to those locations or aimed at local industries.

As the industry leader, TSMC can use its expertise to set up plants catering to specific markets or products faster while competitors play catch-up. This gives TSMC's expansion plans a first-mover advantage as countries race to build their own competing local chip fabs.

IT Investments in the Next 1-3 Years According to Business Leaders Worldwide, Aug 2020

% of respondents



Source: Dell Technologies, "Digital Transformation Index," Oct 13, 2020

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