

Japan Signs Chip Development Deal With India



FILE - Visitors stand next to a "Make In India" logo during a three-day semiconductor event in Bengaluru, India, April 30, 2022. Japan and India signed an agreement July 20, 2023, to jointly develop semiconductors

WASHINGTON — Japan and India have signed an agreement for the joint development of semiconductors, in what appears to be another indication of how global businesses are reconfiguring post-pandemic supply chains as China loses its allure for foreign companies.

India's Ashwini Vaishnaw, minister for railways, communications, and electronics and information technology, and Japan's minister of economy, trade and industry, Yasutoshi Nishimura, signed the deal Thursday in New Delhi.

The memorandum covers "semiconductor design, manufacturing, equipment research, talent development and [will] bring resilience in the semiconductor supply chain," Vaishnaw said.

Nishimura said after his meeting with Vaishnaw that "India has excellent human resources" in fields such as semiconductor design.

"By capitalizing on each other's strengths, we want to push forward with concrete projects as early as possible," Nishimura told a news conference, Kyodo News reported.

Andreas Kuehn, a senior fellow at the American office of Observer Research Foundation, an Indian think tank, told VOA Mandarin: "Japan has extensive experience in this industry and understands the infrastructure in this field at a broad level. It can be an important partner in advancing India's semiconductor ambitions."

Shift from China

Foreign companies have been shifting their manufacturing away from China over the past decade, prompted by increasing labor costs.

More recently, Beijing's push for foreign companies to share their technologies and data has increased uneasiness with China's business climate, according to surveys of U.S. and European businesses there.

The discomfort stems from a 2021 data security law that Beijing updated in April and put into effect on July 1. Its broad anti-espionage language does not define what falls under China's national security or interests.

After taking office in 2014, Indian Prime Minister Narendra Modi launched a "Make in India" initiative with the goal of turning India into a global manufacturing center with an expanded chip industry.

The initiative is not entirely about making India a self-sufficient economy, but more about welcoming investors from countries with similar ideas. Japan and India are part of the QUAD security framework, along with the United States and Australia, which aims to strengthen cooperation as a group, as well as bilaterally between members, to maintain peace and stability in the region.

Jagannath Panda, director of the Stockholm Center for South Asian and Indo-Pacific Affairs of the Institute for Security and Development Policy, said that the international community "wants a safe region where the semiconductor industry can continue to supply the global market. This chain of linkages is critical, and India is at the heart of the Indo-Pacific region" — a location not lost on chip companies in the United States, Taiwan and Japan that are reevaluating supply chain security and reducing their dependence on China.

Looking ahead

Panda told VOA Mandarin: "The COVID pandemic has proved that we should not rely too much on China. [India's development of the chip industry] is also to prepare India for the next half century. Unless countries with similar ideas such as the United States and Japan cooperate effectively, India cannot really develop its semiconductor industry."

New Delhi and Washington signed a memorandum of understanding in March to advance cooperation in the semiconductor field.

During Modi's visit to the United States in June, he and President Joe Biden announced a cooperation agreement to coordinate semiconductor incentive and subsidy plans between the two countries.

Micron, a major chip manufacturer, confirmed on June 22 that it will invest as much as \$800 million in India to build a chip assembly and testing plant.

Applied Materials said in June that it plans to invest \$400 million over four years to build an engineering center in Bangalore, Reuters reported. The new center is expected to be located near the company's existing facility in Bengaluru and is likely to support more than \$2 billion of planned investments and create 500 new advanced engineering jobs, the company said.

Experts said that although the development of India's chip industry will not pose a challenge to China in the short term, China's increasingly unfriendly business environment will prompt international semiconductor companies to consider India as one of the destinations for transferring production capacity.

"China is still a big player in the semiconductor industry, especially traditional chips, and we shouldn't underestimate that. I don't think that's going to go away anytime soon. The world depends on this capacity," Kuehn said.

He added: "For multinational companies, China has become a more difficult business environment to operate in. We are likely to see them make other investments outside China after a period of time, which may compete with China's semiconductor industry, especially in Southeast Asia. India may also play a role in this regard."

Bo Gu contributed to this report.