



## PRESS RELEASE

### Tech wars: US-China rivalry for electronics out to 2035

**Japan, November 19, 2024** – Since 2017, the technology war between the United States and China has been shaking up the global electronics landscape. Between sanctions, export controls and the quest for technological leadership, this rivalry is reshaping supply chains and creating major uncertainties. Yet interdependence remains strong between these two powers, despite fierce competition that could fragment the industry by 2035.

#### Global electronic trade reshaped

The technology war between the United States and China has intensified considerably since 2017 through a wide range of measures: tariffs, export controls and market access restrictions. This war, which aims to dominate the technologies of the future, particularly semiconductors and artificial intelligence, has already cost China nearly \$150 billion in lost exports to the United States, restructuring trade flows with a diversification of US imports from countries such as Mexico, Taiwan and Vietnam.

#### Continued strong interdependence

Despite rising tensions, economic cooperation between these two giants remains essential. Nearly 30% of semiconductor manufacturing machinery exported by the United States is still destined for China. At the same time, US electronics imports from third countries (Vietnam, Taiwan, Mexico) include a significant proportion of Chinese components. All this illustrates just how essential China remains in the global electronics value chain, both as a supplier and a consumer.

#### American companies face a dilemma

For US companies, the trade war with China presents a dilemma. Although under pressure to reduce their ties with China, they continue to see China as a crucial trading partner. Indeed, US companies have captured 54% of the profits generated by the global electronics industry over the past decade, a share that rises to 88% if we include their Japanese, South Korean and Taiwanese counterparts. At the same time, despite the increasing sales and significant technological advances, Chinese companies have only captured 7% of the global electronic industry's profits and remain far behind the leaders in the strategic semiconductor segment.

#### An even more fragmented industry by 2035?



The transformations already perceptible in international value chains will become even more apparent over the next decade, given the long cycles that characterise the sector.

The future of the global electronics industry could be divided into different scenarios, ranging from 'technological stagnation' to 'technological fracture'. In the most extreme scenario, escalating rivalry between the US and China combined with the emergence of disruptive technology could lead to a complete split in global supply chains. Two distinct ecosystems could then emerge: one dominated by the US and its allies, the other by China, forcing companies and countries to choose sides. Such fragmentation would increase the complexity of trade, limiting access to markets and making competition more unpredictable.

### **Increased risks and costs ahead**

Electronics companies and the countries that dominate this sector must prepare themselves for increasing risks over the next 10 years. Disruptions to supply chains, restrictions on access to foreign markets, divergent standards and geopolitical pressure are complicating the environment in which the industry operates. The costs associated with this volatility, in an already cyclical sector, are likely to increase. To adapt, companies need to diversify their supply chains, encourage regional decision-making and improve their risk and compliance management to remain competitive in an increasingly fragmented global landscape.

**Read the full study [here](#)**

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