

COVER STORY

New tech war narrative in post-Trump era

BY LIEW JIA TENG

In the US-China trade war, Donald Trump's administration made the tech sector the main battlefield, placing the semiconductor segment in particular in the cross-hairs of the tech cold war.

As a result, Chinese tech giants Huawei Technologies Co Ltd, ZTE Corp and Semiconductor Manufacturing International Corp (SMIC) were among the major casualties of rising US-Sino tensions. Even companies such as Taiwan Semiconductor Manufacturing Co (TSMC) were caught in the crossfire.

Where is the global semiconductor industry headed now with the election of Joe Biden as the 46th president of the US?

Over the last couple of years, Malaysia's tech sector has benefited somewhat from the trade diversion that resulted from the trade war.

Should Biden adopt a softer approach on China, will the trend of relocation come to an end?

Captains of the tech industry tell *The Edge* they hope Biden's administration will make America business-friendly again.

Nevertheless, they concede that POTUS, be it Trump or Biden, will always place America's interests first, and hence, the long-term trade war narrative is not likely to change significantly.

Penang-based automated test equipment (ATE) manufacturer ViTrox Corp Bhd co-founder and executive vice-president Steven Siaw Kok Tong believes Biden can bring more trade certainty and stability with policy consistency and implementation.

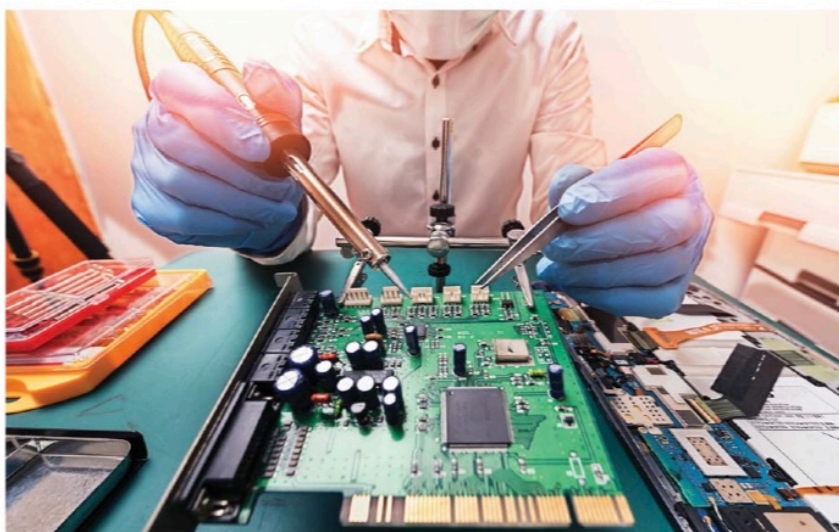
"This will enable our customers, especially in China, to better manage and predict their capital investments and capacity expansions over the next few years. We can expect fewer disruptions due to overnight and frequent policy changes," he says. He adds that it is too early to assess the impact of Biden's presidency.

"It will very much depend on president-elect Biden's direction with regard to the US-China trade relationship. Fortunately, Malaysia has maintained a neutral stance all this while. Therefore, I'm of the opinion that the situation will remain status quo for local E&E (electrical and electronics) companies, at least for the near term."

Siaw says leading Chinese firms such as Huawei and SMIC are expected to continue accelerating their investments and technology acquisition to fulfil China's objectives of self-sufficiency and independence from foreign technology and intellectual property, which is in line with Beijing's aspirations to be self-sufficient by 2025, especially in semiconductor technologies and related supply chains.

He does not expect the trade war rhetoric to cool down over the next four years of Biden's presidency.

However, as long as Malaysia



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maintains a neutral stance, the country will enjoy continuous demand and business opportunities from both US and China and their allies.

Business relocations will continue regardless of a trade war or cold war, as big corporations still need to mitigate their risks, Siaw explains. "Malaysia will benefit from relocations if we offer the right value proposition to prospective organisations," he states.

Green energy to spur demand

Factory automation equipment specialist Pentamaster Corp Bhd co-founder and chairman Chuah Choon Bin does not expect any impact on the global semiconductor industry in the next six months, as Biden's immediate task will be to tackle the Covid-19 pandemic, which has hit the US hard.

But going forward, he believes Biden may bring more supply chains back to the US, in a move to rebuild the American economy and claim dominance in the technological space.

"Biden's plans to support green technology with the widespread use of electric vehicles (EVs) will definitely help boost the semiconductor industry," says Chuah.

High-performance test contacting solution provider JF Technology Bhd CEO Dillon Atma Singh concurs.

"Biden has been known to be pro-green energy, and the anticipated increase in adoption of EVs and green energy will spur demand for, and renewed interest in, semiconductors," he remarks.

Dillon also points out that the global semiconductor industry is projected to be on an upward trajectory, especially with the deployment of the game-changing fifth-generation (5G) network in the coming years.

"The adoption of 5G is imminent as everyone will want to enjoy the benefits and advantages of 5G, which will see the transformation of lifestyles through new applica-



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Dillon: The adoption of 5G is imminent ... which will in turn drive the next wave of semiconductor demand



Puan: Analysts across the globe have predicted that Biden is likely to return [US-China] ties to a less contentious state

tions and products such as artificial intelligence, autonomous driving and healthcare advancement, which will in turn drive the next wave of semiconductor demand," he states.

Pentamaster's Chuah observes that the tech war is centred around 5G technology and that irrespective of who is in power in the US, the trade war between China and the US will continue.

"Whoever dominates 5G technology will win politically and militarily, (as there are) trillions of dollars of economic opportunity and technological space," he stresses.

Chuah notes that in the last four years of trade and tech wars between US and China, most American tech companies had asked their E&E and semiconductor-related suppliers to relocate their manufacturing base outside of China. As a result, many have already relocated or expanded their manufacturing footprint in Southeast Asian nations such as Vietnam or Malaysia, or in nearby Taiwan or India.

He says the lesson learnt by US tech companies during the trade and tech wars was to ensure their supply chain base was no longer

concentrated in China. "Diversifying the manufacturing location is the main goal to mitigate risks in the long term," he says.

While JF Technology's Dillon does not expect any significant short-term shifts in the supply-demand of semiconductors for local players, he thinks Biden's win will provide some cooling off in terms of trade tensions in the longer term, which will in turn positively impact local semiconductor firms.

"In the medium and longer term, we do expect the trade and technology cold war to ease, but to what level will be the million-dollar question. We hope Biden will reverse or at least slow down the decoupling of US and Chinese supply chains, which has been disruptive to the overall high tech industry," he says.

What should we do?

Even though China will be looking to increase its independence in terms of manufacturing its own chips, the country would also need to rely on imports to meet the heavy demand, observes Green Packet Bhd founder and CEO Puan Chan Cheong.

"This presents a continued opportunity for other countries such as Malaysia to act as a semiconductor player in the international market and provide value add to the semiconductor supply chain," says Puan, adding that it is possible that the US will continue to impose financial sanctions on Chinese companies in an effort to try and slow down China's growth.

That said, China has begun to reduce its dependence on the US. In 2019, it announced a state-backed RMB204.2 billion fund to invest in its domestic semiconductor industry. Annually, China consumes more than 50% of all semiconductors produced, but domestic manufacturers have the capacity to meet only 30% of the demand.

Interestingly, tech company Green Packet is currently in a competitive bidding process for SilTerra Malaysia Sdn Bhd — one of the few semiconductor wafer pure-play foundries in the country.

"Semiconductor players will play a significant role in the future given the era of IR4.0, and these players will be key in making sure we are not disrupted by emerging tech. Green Packet would be able to leverage the know-how in the technology space and SilTerra's expertise in the semiconductor space.

"Analysts across the globe have predicted that Biden is likely to return ties to a less contentious state. While he is expected to maintain a tough stance on China, he is also likely to take a more measured and multilateral approach," Puan says.

Even if the US' trade measures turn out to be not as harsh, he says the US-Sino relationship will still need time to heal. This could benefit Malaysia and other Asean countries as semiconductor players relocate their operations. ■