



STRATEGIC BRIEF

Government Support for Electronics Manufacturing

Europe and India Compared – Purpose, Benefits and Success of the Respective Funding Approaches

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Executive Summary

Europe and India pursue fundamentally different approaches to government support for their electronics and semiconductor manufacturing industries. With the Chips Act, the EU relies on a multi-level programme combining research funding, coordination and co-financing by Member States, pursuing ambitious market-share targets but, according to the assessment of its own Court of Auditors, so far falling well short of its own expectations. India, through the Production Linked Incentive Schemes (PLI) and the India Semiconductor Mission (ISM), relies on direct support linked to verifiable production and investment results, which within a few years has led to demonstrable figures for investment, employment and exports.

This document compares both approaches in terms of structure, speed and results achieved to date, with particular emphasis on the European funding architecture, which in its current form appears to generate more coordination effort than impact.

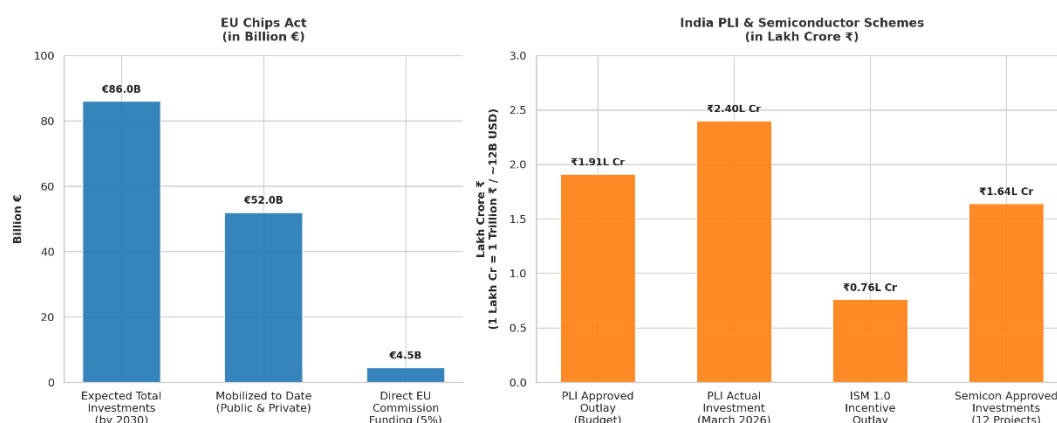
Europe's Funding Approach – Ambition Without Sufficient Impact

The European Chips Act, which entered into force in 2023, aims to increase Europe's share of the global value of advanced and sustainable semiconductor production to 20 percent by 2030. According to the European Commission's own figures, the Chips Act has so far mobilised more than EUR 52 billion in public and private investment and created around 46,000 direct and indirect jobs.

The European Court of Auditors takes a considerably more sober view in its Special Report 12/2025. Of the approximately EUR 86 billion in investment expected by 2030 in connection with the Chips Act, the European Commission is directly responsible for only around 5 percent, or EUR 4.5 billion. By far the largest share of the funding must be provided by the Member States and the private sector, whose engagement the Commission can influence only to a limited extent.

The Court of Auditors describes the 20-percent target as essentially aspirational and states that Europe would need to roughly quadruple its production capacity to achieve it, while the actual pace of progress remains far behind. The auditors explicitly call on the Commission to conduct a reality check of its own strategy. This discrepancy between communicated ambition and actual ability to steer implementation is not accidental but is rooted in the architecture of the programme itself. An instrument whose implementation depends to a significant extent on Member States and private investors can, at best, be coordinated from Brussels but cannot be fully enforced. Each Member State has its own approval procedures, state-aid rules and priorities, which can significantly slow down the actual implementation of individual projects.

India Outpaces PLI Targets, While EU Chips Act Directly Steers Only Around 5% at EU Level



Source: EMS Strategy Group / Official Reports (ECA Special Report 12/2025; PIB India July 2026) Internal mechanism outlays and actual mobilization within respective local schemes, not direct country-to-country volumes.

Assessment

The Chips Act is a prime example of how a correct strategic insight can become an instrument with limited impact as a result of Europe's multi-level architecture. The Commission sets the target but is responsible for only a fraction of the funding and even less of the actual implementation. However, if Europe abandons the politically motivated and, according to the Court of Auditors, unrealistic aspiration of complete self-sufficiency, the programme can leverage the principle of "Indispensability". A targeted concentration of scarce resources on established global monopoly niches (such as lithography or power electronics) secures asymmetric geopolitical leverage points for Europe. Success would then no longer be measured by an unrealistic quadrupling of mass production, but by indispensability within the global value chain.

Independent economic analyses reach a similar conclusion and recommend that the EU shift its strategy from an aspiration of self-sufficiency towards more targeted positioning in individual niches of the value chain that are actually attainable for Europe, rather than attempting to compete across the board with the USA or Asia.

"Indispensability" Instead of Self-Sufficiency: A New Strategic Compass for the EU

In light of the sober assessment of the European Court of Auditors, which considers the 20-percent market-share target essentially aspirational and unrealistic at the current pace, Europe's semiconductor strategy requires a pragmatic realignment. Leading economic analyses – such as those by the Bruegel think tank – argue that Europe should abandon the politically motivated aspiration of complete technological self-sufficiency.

Instead of competing across the board in mass production with the highly subsidised locations in the USA and Asia, European funding policy should focus on the principle of "Indispensability" (indispensability) in technological niches. Europe already holds a key global position in highly specialised segments of the value chain, such as ASML's lithography systems or in the field of power electronics. Focusing scarce European funding on these existing strengths creates asymmetric global dependencies. For European industry, these provide a significantly more effective geopolitical safeguard than attempting to build a closed European supply chain that is economically barely competitive.

India's Funding Approach – Direct Incentives, Measurable Results

Since 2020, India has been supporting its electronics manufacturing industry through the Production Linked Incentive Schemes (PLI), which in 14 key sectors link incentives directly to proven increases in production and investment. By 31 March 2026, the PLI Schemes, with an approved total allocation of INR 1.91 lakh crore, had triggered actual investments of more than INR 2.40 lakh crore and created more than 14.15 lakh direct and indirect jobs. In the large-scale electronics manufacturing sector alone, around INR 20,580 crore in investment and nearly 169,000 jobs were recorded. Cumulative exports from the supported sectors increased from INR 4 lakh crore in 2023/24 to INR 15.2 lakh crore in 2025/26.

The decisive factor in this model is the design of the funding mechanism itself. A company does not receive the incentive for a letter of intent or an investment commitment, but only once the agreed additional production or additional sales have actually been demonstrated. This shifts the risk of a failure to achieve the intended impact away from the state and towards the applicant company, while the state pays only for results that have actually been achieved.

In addition, India has established the India Semiconductor Mission (ISM) as a dedicated funding programme for semiconductor manufacturing, equipped with an incentive framework of INR 76,000 crore and a funding rate of up to 50 percent of project costs for fabs, compound semiconductors, packaging and testing capacities as well as chip design. By July 2026, twelve projects with a total investment volume of more than INR 1.64 lakh crore had been approved in six states. With the Semicon 2.0 initiative approved in July 2026, this policy has been significantly expanded once again.

The Strategic Shift: Semicon 2.0 and the Path to Ecosystem Excellence

With Semicon 2.0, approved in July 2026 with a total budget of INR 1,27,500 crore, India's semiconductor policy is taking a decisive step towards greater maturity. While the first phase (ISM 1.0) focused primarily on the capital-intensive establishment of large fabrication and packaging facilities (ATMP/OSAT), the focus under ISM 2.0 is now specifically shifting towards the upstream part of the value chain.

Targeted support is now being provided for domestic production of semiconductor equipment, specialty gases and high-purity chemicals, as well as the development of indigenous IP cores and chip designs. This focus on technological depth is intended to prevent India from becoming dependent on upstream inputs in the long term or being reduced to the role of a mere "extended workbench" for final assembly. For globally active original equipment manufacturers (OEMs) and EMS providers, this means that India is gradually establishing a genuine, more self-sufficient supplier ecosystem that goes beyond pure cost advantages.

Assessment India

India concentrates decision-making authority at the national government level, with central coordination and implementation of the individual programmes by the respective responsible ministries and authorities, formulates clear targets for each funding line and continuously publishes the results achieved with concrete figures. With the transition to ISM 2.0, New Delhi is now proactively addressing the greatest weakness of its own model to date: the one-sided dependence on labour-intensive final assembly and packaging (ATMP/OSAT). Through targeted financial support for the entire upstream supply chain and its own IP designs, India is to develop from a mere workbench into a technologically deeply integrated semiconductor ecosystem.

Direct Comparison

Criterion	Europe	India
Level of control	European Commission coordinates; implementation lies to a significant extent with the 27 Member States	Central government with national-level coordination and implementation of the individual programmes by the respective responsible ministries and authorities
Direct share of the central authority in total funding volume	around 5% of the total volume (approx. EUR 4.5 billion out of EUR 86 billion)	Funding is provided at national level, while the individual programmes are implemented by different ministries and authorities
Disbursement logic	Research funding, co-financing, state-aid approval by Member State	Disbursement or support linked to the production, sales or investment performance demonstrated under the respective programmes
Achievement of objectives according to independent assessment	20% target considered unrealistic by the Court of Auditors; according to analysts, focus is shifting towards niche leadership ("Indispensability").	Investment and exports have increased significantly; Semicon 2.0 now specifically addresses the development of technological depth and the upstream supply chain
Transparency of performance measurement	inconsistent, depending on Member State and programme line	regularly published central figures on investment, employment, production and exports

Purpose, Benefits and Expected Success in Comparison

Europe

- **Purpose:** Pooling of pre-competitive cutting-edge research and creation of a harmonised legal framework for 27 economies in order to avoid duplication within the Single Market.
- **Benefits:** Remains limited across the board for the time being due to slow national state-aid procedures and the Commission's lack of direct financial impact.
- **Expected success:** High, provided that the EU focuses on the "Indispensability" approach and secures existing technological strengths rather than competing with the USA and Asia in a subsidy race for the mass production of standard chips. The original target of quadrupling capacity to achieve the 20-percent market share, however, remains unrealistic without a fundamental change in strategy.

India

- **Purpose:** Direct mobilisation of industrial investment by linking government funding to already realised market, production and investment performance.

- **Benefits:** Directly reflected in rapidly rising export figures (INR 15.2 lakh crore, around USD 159.8 billion, in 2025/26) and the rapid ramp-up of the first operational packaging plants in Gujarat.
- **Expected success:** Significantly increased. Through the strategic realignment under Semicon 2.0 towards design, manufacturing, advanced packaging as well as equipment, materials, gases and other parts of the upstream value chain, India is gradually making the transition from a manufacturing base strongly focused on assembly towards greater technological substance and more robust supply-chain capabilities. The direction of development to date points to a funding model capable of making its impact visible through concrete results.

Implications for OEMs and EMS Companies

When assessing locations for new capacity, do not compare only the nominal funding volume, but examine what proportion is actually centrally controlled and can be disbursed in a timely manner.

- Assess European funding commitments realistically, as a significant part of their impact depends on implementation by the respective Member State and not solely on the EU level.
- For investments in India, take into account the results-oriented logic of the PLI Schemes, as funding is only disbursed after demonstrated production or investment performance and therefore requires corresponding pre-financing.
- Reassess both funding systems regularly, as the Chips Act as well as the PLI Schemes and the India Semiconductor Mission continue to be developed through revised follow-up versions.

Conclusion

The direct comparison shows that funding volume alone says little about the actual benefit of industrial policy. With a leaner, more centralised and results-oriented model, India has achieved demonstrable progress in investment, employment and exports within a short period of time and is now decisively addressing the development of the upstream supply chain with ISM 2.0.

Europe has an ambitious target framework with the Chips Act, but its implementation is structurally slowed down by its own multi-level architecture, as the European Court of Auditors itself has established.

However, if Europe pragmatically adjusts its strategy towards niche leadership ("Indispensability"), both systems can play to complementary strengths. Anyone investing in global electronics manufacturing should take this difference between political announcements, technological depth and actual ability to steer implementation into account from the outset in their strategic planning.

Quellen

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About the Author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

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