Future of the Electronics Industry

Electronics in Transition: Navigating the Multipolar World Order

The world is transitioning from a US-dominated unipolar order to a more complex multipolar reality. This shift is reshaping not only international diplomacy but also the structure of global industries, especially electronics. What does this mean for the industry?

IDEA analyst Jordi Tarrida highlights key insights from the first quarter of 2025.

Following the Cold War, the United States emerged as the uncontested global superpower - politically, economically, and technologically. Nowhere was this more evident than in the electronics industry: American corporations set global standards, led chip design and EDA tools, and outsourced manufacturing to Asia. But unipolarity, as we've come to learn, was never a given - and its foundations are proving increasingly fragile.

With China rising as both an industrial and military power, Europe pursuing technological sovereignty, and global tensions mounting, a multipolar world order is taking shape. Russia and other players are also stepping into greater prominence—bringing direct implications for microelectronics.

What do these shifts mean for the electronics industry? And where do new opportunities lie?

Jordi Tarrida of the International Distributors of Electronics Association (IDEA) explores these questions.

Sovereignty in Ruins: Tariffs, the Dollar, and the Future of the Reserve Currency

Tarrida cites the Financial Times: U.S. President Trump is *"not motivated by the classic principles of economics."* Though tariffs appear to be simple trade policy tools, they symbolize a broader geopolitical reordering: The unipolar era of U.S. dominance is over - and the dollar's status as the global reserve currency is under scrutiny.

The end of the gold standard in 1971 and the ascent of globalization in the 1990s turned China into the world's manufacturing hub. As U.S. industrial power waned, military might become the dollar's main backing. But as Tarrida notes: "*Industrial power often leads to military power."* New geopolitical players are now challenging Western-dominated financial systems. One case in point: China's CIPS payment network, which has recently moved millions in seconds under competitive terms.

In February 2025, Berkshire Hathaway sold 86% of its stake in **TSMC**, acquired just months prior for billions. Asked about the move, Warren Buffett - famed for long-term investing - said only: *"I don't like the location, and I've reassessed it."*
The message? Geopolitical uncertainty is real.

New Opportunities Through Nearshoring

As globalization recedes, many manufacturers are relocating production back to Europe. Countries with lower labor costs like Hungary, Slovakia, and Romania are clear beneficiaries. But political stability also matters - making Italy, Spain, and Portugal attractive nearshoring options. In fact, Europe's entire industrial map is being redrawn.

Northern Europe can also benefit strategically - as technology providers, AI innovators, or suppliers of high-end components to facilities in Southern Europe and North Africa. Morocco, for instance, is seeing rising interest from Western investors (Why? Because of its historical and strong relationship with the United States).

Possible actions include partnerships for R&D, component standardization, and cross-border innovation initiatives that strengthen Europe's digital resilience. Those who act now could capitalize on Europe's industrial revival.

The Next Allocation Is Coming

"Nobody likes to remember 54 or 60-week lead times," says Tarrida. *"But it could happen again."* Many inventories remain high, and supply chains are tight, with transportation and sourcing challenges echoing the disruptions seen during the pandemic years. Lessons from the last global allocation crisis underscore the importance of forward-looking procurement and resilient logistics models. Risk mitigation now is an urgent priority.

Consumer-driven segments – such as computing, communications, and electronics - make up over 70% of the global semiconductor market. In contrast, Europe's core sectors like automotive and industrial account for less than 10%. Limiting risk strategies to Europe alone ignores global dynamics.

Tarrida calls for globally minded risk analysis and investments aligned with real demand flows. Understanding where capital originates and where consumption is headed enables faster, smarter decisions.

Money Supply, Interest Rates, and Lead Times: All Interconnected

Tarrida draws a link between central bank policies and semiconductor lead times: *"The semiconductor market is consumer-oriented. If there's more money in circulation due to lower* *interest rates, demand for electronics surges - and lead times extend."* The takeaway: expect tighter supply when rates drop.

Smart inventory and procurement planning means tracking monetary policy trends. Decisions on component sourcing and volume commitments should increasingly be based on macroeconomic indicators and demand forecasts. This applies whether you're an OEM, EMS, or distributor. Tarrida also warns of lessons from past crises and encourages stronger supplier relationships - focused on value creation. Margins are shrinking for many intermediaries, but those who own core technology still see profits of 25% or more.

Moreover, Europe must demand pricing parity with other global regions. Lower prices in China are often justified by scale, but batch production is globally uniform. Equal pricing would support nearshoring, competitiveness, and industry strength.

Digitization, AI, and Strategic Readiness

The IDEA Analyst also highlights technologies shaping future competitiveness. Companies that once rested on routine must now adapt. AI cuts operating costs, boosts productivity, and is fast becoming essential. AI applications for example now range from automated PCB layout optimization to predictive quality assurance in high-mix low-volume manufacturing environments. Supply chain intelligence, quantum computing, and cybersecurity are also key to maintaining market relevance.

Those who ignore these trends risk falling behind. But for those who invest wisely today, the coming global reordering could become a strategic advantage. The winners of tomorrow will be those who align strategy, technology, and foresight, turning volatility into opportunity.