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Margrethe Vestager
Executive Vice-President for A Europe Fit for the Digital Age and Competition

Thierry Breton
Commissioner for the Internal Market

Concerning: Anticipated acquisition by Nvidia of Arm's Intellectual Property Group business

The Council of European Professional Informatics Societies (CEPIS) is concerned about the anticipated acquisition of Arm's Intellectual Property Group business by Nvidia.

Arm's current business model, which allows hundreds of European companies to incorporate ARM technology and export it, is at risk. The destruction of this model is clearly anticompetitive. Our contention is that the Arm acquisition is as significant as if a single private company were allowed to buy the IP that underpins the Internet.
Allowing a microprocessor monopoly to be held by a US company within the jurisdiction of the USA will distort future innovation, increase its powers of coercion, and decrease the ability of European companies to compete.

The planned takeover of Arm should therefore be averted as anti-competitive and European chip development and production should be supported.

CEPIS Legal and Security Issues task force comprising of representatives of many CEPIS member societies from all over Europe has analysed the situation and has found serious reasons for concerns, that are presented in more detail in the attachment.

The merger is anti-competitive and would deprive Europe of an essential element in the value chain of ICT hardware.

Yours sincerely,

Byron Nicolaides
CEPIS President

Detailed analysis and supporting evidence

Breaking up Arm's current business model is anti-competitive

Nvidia's ownership would break up Arm's business model, which involves licensing chip designs to hundreds of companies around the world - some of which compete with Nvidia.

Arm being acquired by one of its customers would remove that competitive advantage. If Arm becomes a US subsidiary of a US company, it falls under the US export regulations.

The numerous UK and European companies that incorporate Arm's technology in their products want to sell it, and export it to anywhere in the world including China. This deal means the decision on whether they are allowed to export will be made in the White House.

Co-founder of Arm, Hermann Hauser has gone on record with most major news outlets, including the BBC, describing the deal as "an absolute disaster for Cambridge, the UK, and Europe"[1].

Losing Technological Sovereignty is anti-competitive

The planned acquisition of Arm poses a severe threat to Europe's technological sovereignty.

Europe's already endangered independence and efficiency in IT hardware and software development will be further damaged if the few important key industries that still exist do not remain independent.

As a previously independent platform, Arm is developing computer and smartphone chips that can be used by numerous competing manufacturers worldwide.

The takeover of Arm by Nvidia, based in Silicon Valley (US), will shortly gift it a global monopoly in the areas of smartphone processors, and dominance in other devices.

Arm has designed almost every chip in the fourth industrial revolution, from smartphones, to tablets, to the internet of things, to 5G chips, and in future most likely all Apple laptops and Microsoft laptops.

The digital infrastructure of the planet can reasonably be claimed to be running on Arm.

Allowing that to be controlled by a US company within the jurisdiction of the USA is alarming, and could massively distort future innovation and the chances of European companies to compete.

Its impact on reducing competition would be as constricting as if a single private company were allowed to buy the IP that underpins the Internet.

Any future politically motivated approach by the US government and the Senate, comparable to that against the Chinese companies Huawei or TikTok, could then also create considerable risks for Europe with these important chip families.

We believe the takeover of Arm would result in a highly dangerous market control and be open to possible political exploitation.

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[1] https://www.bbc.co.uk/news/technology-53637463

The acquisition would be anti-competitive in the geopolitical context

Sovereignty used to be perceived as a geographic and military concept where dependence and coercion was exercised through military might. However, COVID 19 revealed our dependence on China for masks and PPE. Technology Sovereignty has become a defining issue of the decade.

In the past the European economies dependencies on other nations were overlooked because it was believed that supply chains and former alliances were secure.

Can Europe now be assured of guaranteed, unfettered long-term access to these technologies like 5G, payment system, semiconductors?

In trade negotiations the outcome is determined by the relative 'clout' of the participants. A European Arm strengthens the European hand in negotiations across a range of industries, yet it is now under offer.

Several CEPIS member societies and CEPIS experts have raised concerns

In September 2020, shortly after the acquisition was announced, BCS, The Chartered Institute for IT, based in the UK, polled its members, who are IT professionals working across industry, the public sector and academia, on the deal.

The survey by BCS (a CEPIS member society) received over 1771 individual responses and was covered by The Times [2].The poll found that **70% of IT experts believe the government should intervene in the deal.**

Only 11% agreed that the sale of Arm to Nvidia would strengthen the UK's position as a world leader in digital technologies.

Nearly all IT specialists questioned (95%) felt it was important for the UK to retain ownership and control of significant digital tech companies within its borders.

The poll can be read as a clear mandate to control the ownership and destiny of strategically significant tech companies such as Arm. Not for idealistic or nationalistic reasons, but because takeover would create a monopoly with irrevocable consequences.

In October 2020, the German CEPIS member Gesellschaft für Informatik issued a clear statement pointing out the dangers for the European development of ICT hardware and asking for more efforts towards European Technological Sovereignty[3].

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[2] https://www.thetimes.co.uk/article/ministers-under-pressure-to-intervene-in-nvidias-takeover-of-Arm-jdg5tnf38

[3] https://pak-datenschutz.gi.de/beitrag/arm-uebernahme-durch-us-unternehmen-bedroht-europaeische-hardware-entwicklung

Conclusion

We welcome the European Commission's initiative to work with all interested parties on the deal, to gather an evidence base to support decision making on whether the Nvidia takeover of Arm, whose microprocessors are ubiquitous, is creating major competition problems.

Arm microprocessors are in most cars, IT infrastructure equipment, and 95 % of mobile phones. Nvidia's purchase of Arm would create another giant US monopoly, adding to the number of US dependencies and powers of coercion, and deprive Europe of one of its major Big Tech success story and most competitive business models.

The European Commission analysis should conclude that the proposed acquisition restricts competition.

Council of European Professional Informatics Societies (CEPIS)

The Council of European Professional Informatics Societies (CEPIS) is the representative body of national informatics associations throughout greater Europe.

Established in 1989 by nine European informatics societies, CEPIS has since grown to represent over 450,000 ICT and informatics professionals in 28 countries.

CEPIS aspires to promote best practice for IT professionals and users throughout Europe by

- *promoting high standards to further mature and promote IT professionalism;*
- *building gender balance in IT industry and inspire more young people to pursue IT-related education and careers;*
- *advocating for a digitally competent and skilled general workforce in support of employability and higher productivity;*
- *advocating for the socially responsible adoption, secure, ethical, inclusive and environmentally friendly application of IT in Europe.*

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4