



Department for  
Business, Energy  
& Industrial Strategy

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Tom Tugendhat MP  
Chair of Foreign Affairs Committee  
House of Commons  
London  
SW1A 0AA

30 June 2021

Dear Tom,

**Foreign Affairs Committee letter on Newport Wafer Fab**

Thank you for your letter of 18 June regarding the takeover of Newport Wafer Fab (NWF) by Nexperia.

As stated in my previous response on this matter, we recognise NWF's value as a company and its contribution to consortia based at the South Wales Compound Semiconductor Cluster. Economic development is, though, a devolved matter, so the economic future of the cluster is a matter for the Welsh Government. They have previously provided financial support to NWF, and any future decisions on economic support are a matter for them.

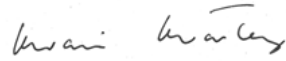
Conversely, as you know, national security is a reserved matter for the UK Government. The Government has powers under the Enterprise Act 2002 to intervene in acquisitions which raise national security concerns, and these powers were recently strengthened through the National Security and Investment Act 2021. These are important powers, but we are also clear that that the overwhelming majority of investments in the UK's economy raise no national security concerns, and that mergers and takeovers are primarily commercial matters for the parties involved.

The Government has been in contact with NWF and, as stated in my last letter, whilst I am not able to comment on the detail of commercial transactions, or of national security assessments, I want to give you my assurance that this issue has been considered thoroughly. We will continue to monitor the situation closely and will use our powers if appropriate.

In your letter you also refer to the actions of other governments in regard to takeovers of semiconductor companies by Chinese companies. Individual transactions within other countries are a matter for each nation, which will assess the potential national security implications in individual cases. For the UK, the decision whether to intervene in acquisitions and mergers on national security grounds are also dealt with on a case-by-case basis.

I am copying this letter to the Chair of the BEIS Select Committee, Darren Jones MP.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', written in a cursive style.

**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy and Industrial Strategy



## Foreign Affairs Committee

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**From the Chair**  
Tom Tugendhat MP

Rt Hon Kwasi Kwarteng MP  
Secretary of State for Business, Energy and Industrial Strategy  
1 Victoria St  
London  
SW1H 0ET

By Email

18 June 2021

Dear Secretary of State,

Following my previous letter in May and some key developments, I am writing to reaffirm my concerns that the takeover of Newport Wafer Fab (NWF) by Nexperia - a 100% owned subsidiary of the Chinese-based Wingtech Technology - will not be reviewed under the National Security and Investment Act.

Since installing two board members at NWF in March, Nexperia has now begun the due diligence process for the takeover of NWF. I must stress again that having the UK's leading 200mm silicon and semiconductor technology development and processing facility being taken over by a Chinese entity - in my view - represents a significant economic and national security concern.

With the world experiencing a shortage in semiconductor production and companies and countries competing over the limited supply that exists, it is crucial that the UK protects its strategically valuable manufacturing resources. I therefore urge you to reconsider your advice to NWF that the completion of the company's takeover by Nexperia would not trigger a call-in under the National Security and Investment Act. Could you also please clarify whether you believe this is primarily a matter for the Welsh Government when the administration in Cardiff does not have the devolved authority to consider the national security implications that a transaction of this nature to a foreign purchaser would raise?

Colleagues on the Foreign Affairs Committee have raised serious concern. They are not alone. It is clear that our allies see similar transactions as a national security question.

In March this year, Beijing-based Wise Road Capital agreed a deal to acquire South Korean semiconductor manufacturing company MagnaChip. On 4 June, MagnaChip announced that it would cooperate with investment reviews by the South Korean government and the US Commission on Foreign Investment (CFIUS). The South Korean government has categorised the company as a "national core technology", which means that its takeover by Wise Road Capital will be automatically subject to review. The US Department of Treasury also [requested](#) that parties involved in the transaction file notice with CFIUS.

Also in March, the Italian government [blocked](#) Chinese company Shenzhen Investment Holdings Co from buying a controlling stake in Milan-based semiconductor company, LPE, citing it as a sector of "strategic importance".

The two examples show that our allies are treating self-sufficiency in semiconductor supply chains as a national security imperative. Please could you advise what the government feels is different about the takeover of NWF, and why it is not reviewing a deal involving a British company critical to the economic security of a variety of manufacturing industries falling into the hands of an entity that was set up to serve the needs of a systemic competitor.

It would be valuable if I could receive a response as soon as possible. I intend to place this letter and your response in the public domain.

Best wishes,

A handwritten signature in black ink, appearing to read "Tom Tugendhat". The signature is fluid and cursive, with the first name "Tom" and last name "Tugendhat" clearly distinguishable.

**TOM TUGENDHAT**