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**FOR IMMEDIATE RELEASE**

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**CHINA AIMS TO RIVAL TAIWAN IN ADVANCED SEMICONDUCTOR MANUFACTURING, RISING TENSIONS ALSO A CONCERN: US-TAIWAN BUSINESS COUNCIL REPORT**

The US-Taiwan Business Council today announced the availability of "Semiconductor Report – Third Quarter 2004", the latest in a series of quarterly reports analyzing emerging trends in the integrated relationship between the U.S., Taiwan, and China in the semiconductor industry.

The report analyzes the impact China's largest semiconductor foundry, Semiconductor Manufacturing International (SMIC), will have on the future growth of China's semiconductor industry, and globally, as SMIC continues to grow its list of partners, customers and technology offerings. SMIC opened China's first advanced 12-inch wafer fab in September, and is reportedly planning to begin supplying semiconductors using leading edge 90-nanometer (0.09-micron) technology in the first half of 2005.

SMIC's new manufacturing capability puts the company in a better position to compete with the world's leaders in advanced 12-inch semiconductor production based in Taiwan. Taiwan is home to the world's largest semiconductor foundries, Taiwan Semiconductor Manufacturing (TSMC) and United Microelectronics (UMC), as well as leading DRAM manufacturers. According to the report, "it will take longer for SMIC to catch up to the Taiwan foundry giants, but at its current rate of progress, it may only be a matter of years."

Taiwan's semiconductor manufacturers are limited in their ability to effectively compete in China, as the Taiwan government has restricted companies to using mature 8-inch wafer fabs with 0.25-micron or larger manufacturing technologies. TSMC is the only Taiwan foundry to open a fab in China, and is lobbying the Taiwan government to allow 0.18-micron manufacturing so it can compete with its Chinese rivals. According to the report, "TSMC's presence in China will surely have an impact, [but] the limits on its technology offerings there mean SMIC will still be the China-based foundry of choice." Changes to the Taiwan government restrictions are not expected until at least next year, providing SMIC "enough time to begin mass production at the most advanced technology available – free of any competition in its home market."

The Council is closely monitoring developments in China's semiconductor industry, particularly its 12-inch manufacturing capabilities. According to Council President Rupert Hammond-Chambers, "the Council is also monitoring rising tensions in the cross-Strait environment. Taiwan is a key provider of semiconductors and information technology goods for the global technology industry, with manufacturing both domestically and in China. The potential supply chain disruptions resulting from a conflict between Taiwan and China would have profound implications for the global economy."

**About the US-Taiwan Business Council:**

The US-Taiwan Business Council ([www.us-taiwan.org](http://www.us-taiwan.org)) is a membership-based non-profit association founded in 1976. The Council provides its members with business intelligence, access to a network of companies involved in business between Taiwan and the United States, and serves as a vital representative in dealing with investment, business development, and intellectual property matters.

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