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U.S. SEMICONDUCTOR MANUFACTURING EQUIPMENT SALES TO CHINA KEY TO GLOBAL COMPETITIVENESS: US-TAIWAN BUSINESS COUNCIL ANNUAL REPORT

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

The report analyzes the semiconductor industry in 2004 through the context of US-Taiwan-China relations, and discusses the impact individual government policies have on the semiconductor industry's growth and development – particularly with regards to export controls, IPR protection, VAT rebates, and investment incentives. The report also highlights a number of issues discussed at the Council's *Taiwan + China Semiconductor Industry Outlook 2004* conference (www.taiwan-china-outlook.com), held in San Jose, California on December 7, 2004.

With China's emergence as a viable market for semiconductor manufacturing – and with its market leader Semiconductor Manufacturing International Corp. (SMIC) becoming the world's third largest foundry in 2004, behind Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and United Microelectronics Corp. (UMC) of Taiwan – the sale of advanced semiconductor manufacturing equipment to China has become a contentious issue for the U.S. government. Government concerns over the transfer of sensitive technologies to China have been met with criticism from U.S. industry leaders, who argue that equipment sales are necessary for U.S. global competitiveness, particularly since similar equipment technology is readily available from non-U.S. suppliers.

"We expect to see ongoing debate within the U.S. government over the balance between the needs of our businesses to compete in the global marketplace and the necessity for our government to ensure that our national security interests are appropriately maintained. We have seen this most recently over the debate surrounding Export-Import Bank financing for U.S. chip equipment to China as well as the issues raised by Congress over the sale of IBM's PC unit to China's Lenovo," said Rupert Hammond-Chambers, the Council's president.

The report goes on to state that, "Considering the sizable market both Taiwan and China encompass for the semiconductor equipment market, it is important that U.S. equipment manufacturers are able to compete fairly with foreign rivals – namely Japan, Europe, and Korea. U.S. government policies need to ensure that the U.S. continues to be a global leader in equipment manufacturing – a role that not only helps build American technological superiority, but also promotes economic growth and stability."

About the US-Taiwan Business Council:

The US-Taiwan Business Council (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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