



William E. Brock  
*Chairman of the Board*

Vance D. Coffman  
*Vice Chairman*

Senator Conrad Burns  
*Honorary Co-Chairman*

Senator John D. Rockefeller IV  
*Honorary Co-Chairman*

Rupert J. Hammond-Chambers  
*President*

**FOR IMMEDIATE RELEASE**

**July 21, 2005**

Arlington, Virginia, U.S.A.

**U.S. GOVERNMENT NEEDS MORE BALANCED PERSPECTIVE ON SEMICONDUCTOR MANUFACTURING INVESTMENT IN CHINA: US-TAIWAN BUSINESS COUNCIL**

The US-Taiwan Business Council today announced the availability of "**Semiconductor Report – Second Quarter 2005**", the latest in a series of quarterly reports examining emerging trends in the integrated U.S.-Taiwan-China semiconductor industry.

The number of new semiconductor fabs being built in the U.S. is on a steady decline, while China and Taiwan are seeing remarkable growth. In fact, SEMI recently projected that China will add twenty new wafer fabs between 2005 and 2008. In 2004, China and Taiwan were the world's fastest growing markets for chipmaking equipment, with 132% and 166% growth respectively, while North America was the slowest at 23%.

"The result of this manufacturing gap, and in particular the rising scale of investment in China's semiconductor industry over the past several years, has prompted an increasingly cautious U.S. government response and has fueled concerns that growing overseas chip production could be detrimental to the U.S. economy, U.S. national security, and the U.S. semiconductor industry," said Council President Rupert Hammond-Chambers.

"Of course, the U.S. should continue to support domestic chip production, but this must be done in conjunction with allowing greater access to Asia. What U.S. policymakers are failing to take into consideration is the nature of the global semiconductor industry, where contract chipmaking by foundries in Taiwan and China is on the rise due to the exorbitant costs associated with owning and operating wafer fabs. The U.S. has greatly benefited from the fabless business model, and is now the world's leader in both chip design and chipmaking equipment. To remain competitive globally, U.S. businesses cannot disregard factors such as favorable investment incentives and the value and cost-savings of having chipmaking in close proximity to electronics goods manufacturing – much of which is done by Taiwan businesses in China."

Of primary concern to the U.S. government is the ability to secure a steady supply of semiconductors to support U.S. defense capabilities, and to limit China's access to chip manufacturing and design technology that could potentially be used to challenge U.S. security guarantees in Asia. According to Hammond-Chambers, however, "Advocating overly strict technology controls would not reverse U.S. dependence on Asia and emerging markets like China for semiconductors, and would only impede economic growth. The U.S. should instead focus on encouraging sufficient domestic chip production through investment incentives, while at the same time working with its allies to formulate flexible overseas investment policies that balance national security concerns with global economic necessities."

**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.

**Press Contact:**

Judson Payne  
[JPayne@us-taiwan.org](mailto:JPayne@us-taiwan.org)

Tel: (703) 465-2930  
Fax: (703) 465-2937

P  
R  
E  
S  
S  
R  
E  
L  
E  
A  
S  
E