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## CHINA MISSILE TEST REMINDS WORLD OF TECHNOLOGY SUPPLY CHAIN VULNERABILITY ACCORDING TO US-TAIWAN BUSINESS COUNCIL

According to the US-Taiwan Business Council, the recent destruction of a satellite by a Chinese ICBM renewed concerns over China's military intentions and its "peaceful" rise in Asia. It also drew the world's attention to potential flashpoints, including Taiwan and the possibility that China would resort to using force to reunify with the island.

This missile test took place just prior to the release of the US-Taiwan Business Council's "Semiconductor Report - Annual Review 2006," which reports that Taiwan should become the world's leading manufacturer of DRAM chips in 2007, and highlights Taiwan's strategic role in the chip industry as the site of the world's highest concentration of advanced 12-inch semiconductor fabrication plants. Indeed, Taiwan is not only the leading producer of important semiconductor technologies like DRAM, but Taiwan companies are also responsible for a significant share of global technology production - including approximately 82% of notebook computers, 98% of motherboards, and 72% of LCD monitors, according to recent data from Taiwan's Institute for Information Industry (III). The latest figures from Taiwan's Ministry of Economic Affairs show that U.S. companies sourced an estimated \$73.3 billion of technology products from Taiwan in 2006 alone, an 11% increase over 2005.

Council President Rupert Hammond-Chambers said, "The global economy is increasingly reliant on the supply chain synergies driven by Taiwan and its regional partners. These partnerships produce many of the technology products on which we have become reliant, and which serve to improve business productivity and to empower consumers. The present trends point towards Taiwan increasing its supremacy in certain key sectors, particularly in semiconductors."

The Council is concerned about the potential costs to the United States if that critical supply chain is severed by "acts of god" such as an earthquake similar to the 1999 tragedy, or if provocative actions by Beijing result in an extended supply chain disruption. Semiconductors are critical not only to commercial businesses, but also to modern warfare. A reliable and robust supply base is a crucial component of any country's aspiration to field a modern and effective military. This is true in particular for the United States, as it relies on a single semiconductor manufacturer to provide it with the chips it requires for national security, and where additional supplies of chips must come from commercial sources.

Beth McCormick, Deputy Under Secretary of Defense for Technology Security Policy, will discuss the challenges inherent in balancing globalization with foreign competition and U.S. national security requirements when she speaks at **Taiwan + China Semiconductor Outlook 2007** on February 7, 2007 in Santa Clara, California. Outlook 2007, hosted by the US-Taiwan Business Council, will also feature speeches and presentations by Bob Christopher of Ugobe, George Koo of Deloitte, Brian Shieh of Powerchip Semiconductor, and Tien Wu of ASE Group.

The conference's Corporate Sponsors include ASE Group, Applied Materials, The Carlyle Group, Deloitte, New Momentum, PricewaterhouseCoopers, and TSMC. Association Sponsors include CASPA, FSA, NACSA, SEMI North America, SIA, and TSIA.

For further information on the Council and **Taiwan + China Semiconductor Outlook 2007**, visit [www.taiwan-china-outlook.com](http://www.taiwan-china-outlook.com).

### 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 to foster trade and business relations between the United States and Taiwan. The Council provides its members with business intelligence, offers access to an extensive network of relationships, and serves as a vital and effective representative in dealing with business, trade, and intellectual property matters.

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