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TAIWAN SEMICONDUCTOR REPORT ASKS: IS TAIPEI FINISHED WITH ITS DRAM PLAN?

In its *Taiwan Semiconductor Report - Q1, 2009*, the US-Taiwan Business Council reviews the effort to consolidate Taiwan's DRAM industry around the government-backed Taiwan Memory Company (TMC). The report examines the numerous changes to the original concept, how resources allocated have decreased substantially, and the role of Taiwan banks in the process. The report concludes that the manner in which consolidation is to be achieved through TMC is still unclear.

The US-Taiwan Business Council welcomes the Taiwan government's intention to press the fractured local DRAM industry into consolidating around one or several large players. Consolidation could reduce sector debt load, increase the amount of indigenous technology, allow increased investments in new production and product technology, and improve the scale of production to help Taiwan compete globally.

Council president Rupert Hammond-Chambers commented that "some form of consolidation needs to take place in order to achieve a healthy, sustainable and profitable DRAM sector in Taiwan, one that is able to reliably service the needs of its global clients. But Taiwan already has 6 DRAM companies, adding TMC makes it 7. Will enough DRAM businesses fail to open the door for TMC? There is also no guarantee that TMC will win any bidding process for the choicest assets. This leaves its role unclear at best."

The Taiwan government has championed TMC over the past several months, announcing substantive financial backing for the company in its role as a consolidator of the industry. However, that backing has waned, and TMC now appears to be simply waiting for some of the legacy players to fail so that it can snap up the infrastructure at bargain prices, with loans provided by the government.

Yet there now appears to be at least two separate groups willing to compete for distressed assets - TMC on the one hand and Micron/Nanya on the other. The challenge for the Taiwan government is to treat both efforts impartially, and to allow each to play an equitable role in building Taiwan's DRAM sector for future success.

The *Taiwan Semiconductor Report* has been published since the first quarter of 2002, and is distributed to members, government employees, and partner organizations as part of a suite of US-Taiwan Business Council information products. In addition to probing the issues surrounding DRAM consolidation, the Q1, 2009 report also appraises potential signs of a semiconductor industry rebound, and examines the marked increase in US-Taiwan technology alliances in China.

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 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 investment matters.

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