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US-TAIWAN BUSINESS COUNCIL REPORT WARNS OF TAIWAN CHIP CHALLENGE FROM UNITED ARAB EMIRATES

In its Taiwan Semiconductor Report - Q2, 2010, the US-Taiwan Business Council calls on the Taiwan government to respond to the growing challenge from the United Arab Emirates (UAE) and GlobalFoundries, Inc.

Council president Rupert Hammond-Chambers notes that, "Taiwan and South Korea need to pay attention to UAE's plans to become a worldwide chip manufacturing hub. GlobalFoundries is the centerpiece of that plan, but the UAE is also seeking to create major technology clusters around GlobalFoundries facilities. With fabrication plants and technology clusters in proximity to Abu Dhabi's international airport, UAE-manufactured chips could be efficiently shipped to both Asian and European markets."

The Council's report also notes the emphasis that UAE is placing on global educational alliances and on founding technical universities. In addition, UAE has access to cheap energy, and its infrastructure is modern and reliable. The same cannot be said for Taiwan, which has a highly regulated and government-controlled energy infrastructure that requires significant investment to catch up. Energy reliability will continue to be an issue for Taiwan's long-term economic fortunes for as long as the government insists on controlling the sector.

Also in the report, an internal survey by the Council projects that in 2010, Taiwan chipmakers will invest more than any other country in the world in capital expenditures (capex). In aggregate, the largest Taiwan chipmakers are currently forecasting spending US\$14.1 billion on capex this year - higher than current estimates by market researchers and other industry groups.

Hammond-Chambers added that, "the biggest spender of the group, TSMC, says that it is simply trying to keep up with market demand. But its spending tab also serves another purpose - to fend off new competition from deep-pocketed GlobalFoundries, by ensuring that TSMC's capacity can meet global demand and that its manufacturing process remains the world's best."

Current Taiwan government policy emphasizes nurturing its domestic chip industry. TSMC has deep pockets, but Taipei must ensure that its entire chip industry has adequate access to capital in order to meet the challenge of the UAE's seemingly unlimited willingness to fund GlobalFoundries' expansion.

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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