



Keynote speech at CHITEC2008 opening event Beijing

Speaker:

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Title:

Semiconductor industry – the innovation driver

**Dear Excellencies,
Distinguished Guests, Ladies and Gentlemen,**

Good afternoon.

I am honored to speak to you today in such an historic location and alongside such an impressive group of guests. I am particularly pleased to be here representing the European semiconductor industry as we are one of the first industries in Europe that has pioneered a successful and mutually beneficial way for our two continents to cooperate. Events like the Chitec play an important role in cementing the ties we have and in helping us find more ways to work together. So I would like to extend my gratitude to the organizers for creating this event and for inviting me here.

But first I would like to offer my sincere condolences to the victims of the earthquake recently and would like to salute those who are risking their lives to save more. I trust the great Chinese people will be able to overcome this tragedy.

Now I would like to give you some background on our industry and why China has such an important role to play.



The global semiconductor market was around two hundred and eighty billion US dollars last year. To put this in perspective, that is larger than all but thirty of the world's largest economies. Moreover, this industry enabled a worldwide market for electronic products and services of close to eight trillion US dollars, implying that more than one sixth of the world economy today is built on semiconductors.

Our industry creates the technology that can be found not only in computers, but in a virtually every electrical device used today. This ranges from straightforward chips used in washing machines to the complex system-on-chip and system-in-package solutions for mobile phones, and car safety systems. Silicon based innovations enable watching high quality satellite TV and sharing pictures and music through the internet. Semiconductor technology is also used to secure e-passports and to create the most advanced public transport ticketing systems, like the one here in Beijing.

In the future, the impact from semiconductor industry on global economy will increase further. Our industry develops highly innovative technologies that are key for the new lead markets emanating from general societal needs. Issues connected to ageing population can be addressed by ambient intelligence care systems, such as personal health monitors. Carbon dioxide emission and fuel needs can be reduced by intelligent power control and management – over time – by electric vehicles, solid-state lighting and solar power. Commuter traffic can be managed by electronic road tolling and by systems for guided individual transport. Principal solutions to all these issues are possible today; our industry will make them affordable.



The demands on us are to be innovative and future minded at the same time as delivering technology at highly competitive prices.

NXP is one of the semiconductors companies driving innovation. NXP, was one of the first to establish strong operations in China. Now we are proud to report that we employ over 9,000 people in China, in marketing, sales, and manufacturing, and increasingly in research and development.

I would like to stress that for us China is not just the world's factory, but is also the home of some of the world's most advanced engineering talents. Not only have we have set up many collaborative projects with local companies, we are keen to develop local skills. Our academic relations include the NXP "Next Experience Lab" partnership with Tsinghua University and graduate programs with Fudan and Zhejiang Universities. The breadth of Chinese innovation talent was illustrated to me recently when over 544 teams from more than 110 universities and colleges across China entered our Innovator's Challenge Campus Program. Over 200 excellent proposals were developed and the winning item is a design, by a student from Chongqing University, of a miniature medical analyzer based on our advanced system-on-chip technologies.

As I mentioned, any foreign company working in China knows the importance of close collaboration with its local partners. For example we recently opened a unique Global Digital TV Test Lab in Suzhou to help manufacturers of the latest TV's to pre-test solutions on site, prior to starting volume production. And one of our four joint ventures in China is T3G here in Beijing. In this we have made significant investments in R&D to develop the Chinese TD-SCDMA 3G technology.



One key dynamic I would also like to point is the increasing importance of China as a leading market for the latest high tech products our industry creates. For example, China is by far and away the most advanced nation in terms of using contactless smart card technology for their public transportation networks. This NXP technology is in use in over 140 public transport systems in China to speed travelers through ticket gates.

I mentioned at the start how large our industry is. China presently accounts for one third of total semiconductor shipments; it is also the region with the largest market growth. I am confident Europe will continue to have a major role to play here, as the success of the European industry is allied to and not competing with that of China. We each have important roles to fill in what is a very complex ecosystem for innovation.

Silicon wafer manufacturing in dedicated foundries has become a well-established link in the semiconductor industry value chain. As a result, virtually all chipmakers have adopted a fab-lite strategy for managing their market flexibility. Similar large-scale models for improving cost effectiveness do not yet exist in the backend part of semiconductor manufacturing, that is, in chip assembly, packaging and test. Many of the elements needed to bring such a model to life are available in this region today. An example is the joint venture my company has with ASE in Suzhou. I believe that large-scale backend foundries can be a major opportunity for China.

In the world of semiconductors, each region has many valuable talents to bring to the table and much to learn from each other. This is one of the reasons why the World Semiconductor Council recently welcomed the Chinese Semiconductor Association as a member organization, alongside its European, Asian and US counterparts. With that they became part of a forum that brings together all the major semiconductor bodies worldwide.



I am confident that by closely working together in the WSA and forging close ties at events such as Chitec we will continue to build a strong and prosperous future together.

Thank you.