

Intel to Build Advanced Chip-Making Plant in China

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Paul S. Otellini, the chief executive of Intel, background left, with Tan Wee Theng, the president of Intel China, foreground left, and Chinese officials Monday during a signing ceremony at the Great Hall in Beijing.

Intel has already labeled it "Fab 68," the \$2.5 billion chip-manufacturing plant that is set to become the company's first major production site in Asia.

There are only seven other Intel wafer fabrication facilities like it in the world, mostly in the western United States.

But after negotiating with the Chinese government and also getting United States government approval to produce sophisticated equipment here, Intel said it was simply time to move some production of 300-millimeter wafers to China. "China is our fastest-growing major market, and we believe it's critical that we invest in markets that will provide for future growth to better serve our customers," Paul S. Otellini, the president and chief executive of Intel, said in a statement.

Intel's plant, which is scheduled to open in 2010, probably will not involve exporting any big secrets: Fab 68 will produce only so-called chip sets, or chips that work to support microprocessors. Intel officials say they will not produce the company's core technology here, the powerful microprocessing chips that are at the heart of modern PCs and servers.

But the move is seen as a milestone that could lead to even more advanced chip technology in China. The Chinese government is hoping that luring a big name like Intel gives it the best chance at doing that.

Tired of being seen simply as a center just for cheap labor and low-cost manufacturing, China is now seeking to become a base for more advanced technology design and production.

The significance of the Intel venture for the Chinese government was clear from the setting it chose for the announcement: the Great Hall of the People in Beijing, the country's most important political meeting place.

"The Intel plant is very symbolic," said Li Ke, a senior analyst at the Semiconductor Industry Research Center in Beijing, a government body. "It is inspiring and will help to expand the production scale of the industry."

Few industries are as important as semiconductor design and manufacturing because the chips are the brains behind computers, cellphones, digital cameras and many other products.

Analysts say Intel is trying to get a jump on its biggest competitors, like Advanced Micro Devices, which has research and other facilities here but not a major chip production plant.

Among the issues that have been holding up foreign chip makers are fears about China's weak enforcement of intellectual property rights and United States government restrictions on transferring technologies that might be used for military applications.

But by the time Intel opens its plant in the northeastern city of Dalian, the company will have opened production lines for at least two generations of more advanced equipment, Intel officials said.

While Intel is the first major American chip maker to make this large of an investment in a wafer plant here, almost all the large foreign chip makers, like Texas Instruments, Sony, Samsung and Toshiba, have opened some kind of plant here, mostly to do testing, assembly and research.

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