

**International financial crisis: an opportunity
for enhanced S&T cooperation between
China and the United States**

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- 1. Response to financial crisis relying on S&T innovations**
- 2. China could be the spark that re-ignites the world economy**
- 3. Create new development opportunities through cooperation**

International financial crisis: an opportunity for enhanced S&T cooperation between China and the United States

- Today's world is struggling with an unprecedented financial crisis in history. The financial turmoil has inevitably posed an impact on Chinese economy, though not strong enough to change the basic development trends of Chinese economy.
- The Chinese government has adopted a range of measures, including increasing investments in S&T activities, speeding up the implementation of major S&T earmark projects, enhancing applications of advanced technologies and novel products, and developing green technologies.

1. Response to financial crisis relying on S & T innovations

- Financial crisis has prompted the Chinese government to put more money in R&D activities. The latest statistics show that China has registered an S&T expenditure worth USD 70 billion in 2009, with a year-on-year increase of 20%. This allows China to enjoy a two-digit growth of its S&T expenditure for 22 years in a row.

1. Response to financial crisis relying on S & T innovations

- Furthermore, the Chinese government has approved in February a string of revitalization plans for ten major industries, including auto, electronics and information, etc. and has secured a stimulus package worth USD 14 billion for innovations, attempting to turn China from a manufacture power into an innovation power.

1. Response to financial crisis relying on S & T innovations

- Also, the Chinese government has enhanced its efforts to accelerate the implementation of major earmark projects (100 billion USD, 2009-2020), including broadband mobile telecommunication, water pollution control, integrated circuit, large aircraft, and high-end programmed machine tools, etc.

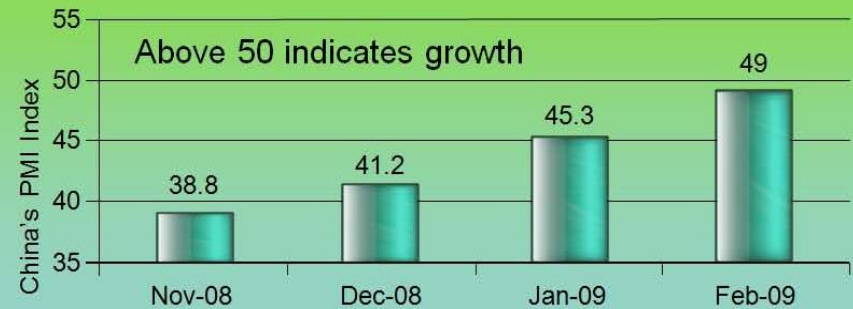
1. Response to financial crisis relying on S & T innovations

- China will stage a nationwide action for energy efficiency and emission reduction, enhancing the capacity building of energy efficiency and emission reduction, and facilitating the development of cyclic economy and low carbon economy.

2. China could be the spark that re-ignites the world economy

Several companies have increased Q109 forecast (TSMC, Altera, TI) due to China's 3G needs

China PMI is very close to the expansion range



Strong economic ramp to 5.5% GDP

Large stimulus package will drive purchases of electronics



2. China could be the spark that re-ignites the world economy

China market growth drivers

Six major application drivers

- 3G/4G wireless communication
- Digital HDTV
- CMMB Mobile TV
- 4C convergence(computer,communication,consumer electronics, contents)
- National digital broadcast & TV networks for cable, ground and satellite
- LED lights, print IC, solar battery, smart grid

2. China could be the spark that re-ignites the world economy

Key features of the China IC market

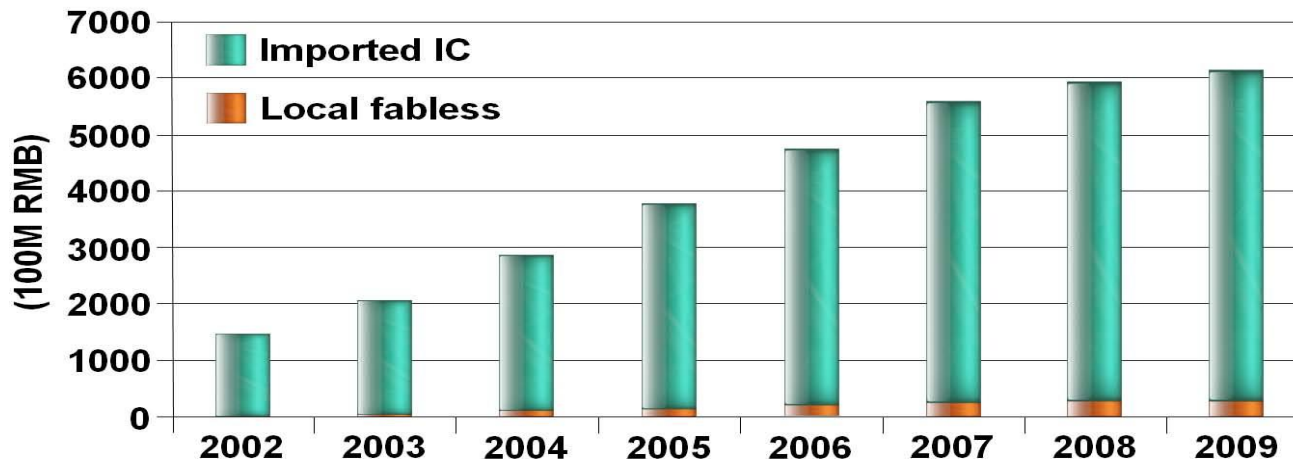
- Emerging market
- Huge IC consumption (#1 in the world)
- Very low local delivery rate (about 4%)
- Government is anxious to promote the industry
- Many startups came up in last 5 years, about 400 fabless houses running, but only a few of them are successful
- Starting to adopt new process nodes like 65nm and 45nm

- No significant player has emerged – total county fabless revenue is almost equal to MTK's annual revenue

2. China could be the spark that re-ignites the world economy

Big gap, big opportunity!

Local China fabless revenue is a small fraction of total available market – a strong push to increase the "locally-designed content" of products manufactured in China will continue.



3. Create new development opportunities through cooperation

- Both China and the United States have witnessed laudable results derived from the cooperation between the two countries in the area of science and technology, since a bilateral accord was inked for the purpose in 1979.
- Many cooperation projects have dealt with major challenges facing human society as a whole, including energy, climate change, environmental pollution, and infectious diseases control. S&T cooperation, more often than not, makes a precursor for the collaborations in trade and economy.

3. Create new development opportunities through cooperation

- S&T cooperation between China and the United States has facilitated Chinese businesses and S&T communities to import more products and technologies from the United States. It has played a positive role in fostering close economic and trade ties between the two countries, and in helping the United States to export more to China.

3. Create new development opportunities through cooperation

- Looking forward to the future, China hopes to have more collaborations with the United States in the area of green technology, smart grid, based on mutual benefit and reciprocal advantages.
- We are more than willing to collaborate with the universities, industries, and research institutes in California in the area of green energy and stem cell research.

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- Finally, I would like to conclude my remarks by quoting a line from the article written by Mr. Mike Splinter, President and CEO of Applied Materials for Mercury News on February 23, that is “U.S., China can together electrify our green future”.