

Applied opens office in China

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Applied Materials, the world's largest chip equipment-maker, is opening a huge sales and marketing office in China today that will also double as a technical training center.

Although the Santa Clara firm has had a presence in China for more than 15 years, the new 90,000-square-foot facility at the Pudong Zhangjiang High-Tech Park in Shanghai is a major steppingstone into the Chinese market, which is gearing up for a potential wave of chip companies that want to do business there.

Next year, the Semiconductor Equipment and Materials International trade group estimates chip plant investments in China will reach more than \$4 billion.

"With today's announcement, Applied Materials has enhanced its capabilities to support semiconductor manufacturers here as they prepare to meet the rapidly growing demand within China for more powerful, portable and affordable chips," Jim Morgan, chairman and chief executive officer, said in a written statement.

Morgan was scheduled to take part in an opening ceremony in Shanghai today along with Samuel Bodman, deputy secretary of the U.S. Department of Commerce, and Zhou Yu Peng, vice mayor of Shanghai.

Applied Materials was the first semiconductor equipment-maker to operate a service center in China when it opened its Beijing offices in 1984. The company has sales and support offices in Beijing, Shanghai, Tianjin and Wuxi.

The new facility will serve as the company's main regional office overseeing administration, sales and marketing.

It also will include a training center where customers can send their engineers to learn more about Applied Materials' equipment.

Steven Pelayo, analyst at Morgan Stanley, called China a huge opportunity for chip and equipment companies.

"I think everybody is making sure they have some way of servicing China right now," he said. "It's extremely important. Their pieces of equipment serve two-thirds of the (chip) manufacturing steps. You have to make a big investment."

The move is consistent with the company's past long-term investments in markets with great potential, said Bob Johnson, analyst at Gartner Dataquest.

"We are starting to see a lot more (chip plants) and a lot more activity going into China. . . . And we're also seeing signs of some of the Taiwanese (semiconductor) companies planning to go into mainland China," he said. "I would fully expect to see increase in investments for (chip plants) there."

Usha Haley, associate professor of international business at the University of Tennessee at Knoxville, said China's government certainly welcomes chip industry investments by foreign companies.

Government officials recently told her that they hope to have as many as 19 chip plants built in the country during the next decade.

"China is aggressively building capacity," she said.

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