Panel Debates Rising U.S. Tech Dependency On Asia

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The U.S. technology industry is damned if it moves to Asia and damned if it does not, according to the mixed opinions of industry experts.

In flocking to Southeast Asia, and Taiwan and China in particular, U.S. tech firms are moving closer to new customer bases and ensuring their ongoing viability and competitiveness, panelists noted. They are also taking advantage of trade-opening moves in the region by the U.S. government and others. Yet they are under criticism for taking U.S. jobs overseas.

Industry experts at a Thursday event co-hosted by the Center for Strategic and International Studies and the U.S.-Taiwan Business Council cautiously predicted they would continue to have a U.S. presence during the next 10 to 20 years.

James Lewis, director of the technology policy program at CSIS, said the push is to get the public to recognize that the global economy is driven by the Pacific Rim, and that the engine of the Pacific Rim economy is the triumvirate of China, Taiwan and the United States, along with Japan. Lewis said his group is studying the impact of moving jobs overseas, and early results show a minimal impact if the United States retains the intellectual property rights.

Panelists said the tech industry in China, Taiwan and the United States is deeply integrated and interdependent. This has business advantages but makes the industry vulnerable should relations break down between the countries.

The integration is seen in semiconductors, computers, high-density televisions and logistics. For instance, clicking on a button to purchase a Dell computer online results in an order being placed in Taiwan. And capital markets that drive investment in industries are global as well.

U.S. tech companies are investing billions in the region. Randy Bane, managing director of Applied Materials, said the industry focus is on the rapid rise in Asia of mobile penetration and Internet use penetration. Countries like China, India and Russia are low in both, and are "the growth engines of the future," he said. Bane said all of Applied Materials' manufacturing is done in the United States but that could change.

Semiconductor fabrication plants, or "fabs," which cost more than $2 billion apiece, have been proliferating in China during the past 18 months. That rate of investment could lead China to corner 50 percent of global capacity for semiconductor production in a few years, said Bane.

The Semiconductor Association of America estimates that China is the third-largest country market for semiconductors and current projections indicate that it will be second only to the United States by 2010.

Debra Waggoner, director of global government affairs for Corning, said the company is stepping up its investment in high-density television screens. "It looks this is going to be the decade of display," she said.

Mark Wilson, director of network and systems applications at Agere Systems, called wireless "a tremendous opportunity." Agere was the microelectronics unit of Lucent Technologies, spun off in 2001.

Each country has certain strengths, and companies move operations to find a balance between cost and functionality. The United States, Europe and Japan tend to hand off innovations to Taiwan and Korea at the more advanced stages, and later when they reach mass-market production they move to China.