

# Japan, Taiwan chip deals unlikely to unseat SKorea

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The global dominance of South Korean chipmakers is unlikely to be toppled anytime soon, even as Japanese and Taiwanese rivals consider forging stronger ties, a ratings agency said Monday.

The report by Moody's Investors Services follows reports last week that Elpida Memory Inc., Japan's biggest semiconductor maker, is mulling listing its shares on the Taiwan Stock Exchange next year to raise money to buy stakes in Taiwanese allies such as PowerChip Technology Corp. and ProMOS Technologies Inc.

Elpida said in a statement that it had not made any decisions regarding investments in Taiwanese companies.

While industry consolidation isn't good news for the world's top two makers of DRAM computer memory chips — Samsung Electronics Co. and Hynix Semiconductor Inc. — their lead appears safe for now.

"In the medium term, Elpida's and Taiwanese chipmakers' increased competitiveness is unlikely to unseat the Korean's established advantages in technology and scale," said Ken Chan, vice president and senior analyst at Moody's.

Samsung, with a 33 percent share of the global market, is investing \$10 billion this year to further bolster its No. 1 position. Hynix Semiconductor turned a net profit in the second quarter after a loss the year before as sales rose to a record.

Meanwhile, Japanese and Taiwanese chipmakers "have years of losses that necessitated scaling back investment," Chan said in the report.

Combined global market share for Taiwan's top four chipmakers has shrunk to 12 percent from 24 percent four years ago. No. 3 Elpida has 18 percent market share.

The reports about Elpida's potential investments coincided with news that South Korea and the European Union signed a landmark free trade agreement. Three years in the making, the pact would cut billions of dollars in industrial and agricultural duties.

"With Japan's yen at a 15-year-high, a strong Taiwanese currency, and a weak Korean won, the deal ... further cements Korean chipmakers' price advantage by removing 10 percent tariffs on virtually all Korean exports to EU countries," Chan said.

The outlook for the sector overall, however, is uncertain as recovery from last year's

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global downturn falters. Sales more than doubled in the first half of the calendar year, but chip prices have slipped by almost a third from their highs in May, according to the report.

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