EECA-ESIA JEITA-JSIA KSIA SIA TSIA

JOINT STATEMENT ON THE NINTH MEETING OF THE WORLD SEMICONDUCTOR COUNCIL (WSC)

May 19, 2005
Kyoto, Japan

European Semiconductor Industry Association (EECA-ESIA)
Japan Electronics and Information Technology Industries Association Semiconductor Board (JEITA-JSIA)
Korea Semiconductor Industry Association (KSIA)
Semiconductor Industry Association (SIA)
Taiwan Semiconductor Industry Association (TSIA)

The European Semiconductor Industry Association (EECA-ESIA), the Japan Electronics and Information Technology Industries Association (JEITA-JSIA), the Korea Semiconductor Industry Association (KSIA), the U.S. Semiconductor Industry Association (SIA), and the Taiwan Semiconductor Industry Association (TSIA) today held the ninth meeting of the World Semiconductor Council (WSC). This meeting, held in Kyoto, Japan, was conducted under the "Agreement Establishing a New World Semiconductor Council" approved at the third WSC meeting and signed on June 10, 1999.

It is the purpose of the WSC to address issues of global concern in the semiconductor industry with a goal of expanding the global market for information technology products and services, and promoting fair competition and technological advancement and sound environmental, health and safety practices. The WSC encourages cooperation in such areas as environment, safety and health practices, protection of intellectual property rights, open trade and investment liberalization, market development, and the exploration of the means of advancing semiconductor technology. All WSC activities are guided by principles of fairness and respect for market principles consistent with the World Trade Organization (WTO) rules and with the laws governing the respective WSC member associations. The WSC reaffirmed that markets should be open and competitive. Antitrust counsel were present throughout the meeting.

The meeting was chaired by Satoru Ito of Renesas Technology Corp. (JEITA-JSIA),

and opening statements were made by Wolfgang Ziebart of Infineon Technologies AG (EECE-ESIA), Chang-Gyu Hwang of Samsung Electronics Semiconductor Business (KSIA), Steven R. Appleton of Micron (SIA) and Rick Tsai of Taiwan Semiconductor Manufacturing Corporation acting for Frank Huang (TSIA).

During the meeting, the following reports were given and discussed, and actions on these were approved.

Membership

In light of the purposes of the WSC and GAMS, it is hoped that the semiconductor industry associations of countries or regions with major presence and importance in the world semiconductor industry will join the WSC. The WSC today represents the leading countries/regions in the semiconductor industry. The WSC re-confirmed its willingness to welcome the China Semiconductor Industry Association (CSIA) as a member of the WSC, a step which requires the support of the Government of PRC.

It is also the hope of the WSC that participation of the Government of PRC in the September 2005 GAMS meeting will be possible, the precondition for which is that the China Semiconductor Industry Association will have by then joined the WSC.

Cooperative Approaches in Protecting the Global Environment

The WSC is firmly committed to sound, scientifically based, positive environmental policies and practices. The semiconductor industry is making a major contribution toward protection of the global environment, and the members of the WSC are proactively working together to make further progress in this area.

(1) PFC Emission Reduction

One of the goals of the WSC is the reduction of PFC gas emissions by at least 10% from the baseline value by the year 2010. Under the PFC emission reduction plan, WSC members are required to reduce PFC emissions by at least 10% by 2010 against the base year, even while semiconductor production is increasing. The base year differs among members. For JEITA, EECA-ESIA and SIA it is 1995; for KSIA it is 1997; and for TSIA it is 1998* (1998* represents the average of 1997 and 1999 emissions). The WSC members also actively share non-competitive information on technologies that can aid in reducing PFC emissions. Since the start of the program,

WSC members have devoted considerable resources to meet their PFC reduction goals. Beginning in 2005, the WSC will annually publish aggregated data, indexed to the emission levels in the base year, regarding emissions reductions. The WSC's announcement of this initiative is contained in Annex1.

(2) Energy Savings

The WSC believes that the efficient utilization of energy resources is an important factor in the realization of cost effective manufacturing for both semiconductor makers and their suppliers, and sees energy saving as an important issue. The WSC recognizes that strategic suppliers in the semiconductor industry have important roles to play in the achievement of energy-saving targets, and has been working with suppliers to solve various problems in this area. As a result of these efforts, a joint white paper (appended as Annex 2) was agreed between WSC and SEMI on ways to increase the energy efficiency of semiconductor manufacturing equipment. Best practices are shared as part of the effort to reduce energy use across the industry.

(3) Chemical Management

Chemical management has been a key focus of WSC efforts – specifically in the areas of chemical risk assessment and pollution prevention. The WSC has produced the CPIF (Chemical Properties Information Form) – a tool to enable the gathering of ESH data from suppliers that is needed for the assessment of the risk and toxicity of chemical substances. The CPIF will be displayed on each website. The WSC has also shared information on BKM (Best Known Methods), providing a forum for education and transfer of successful pollution prevention activities. These actions represent the successful conclusion of our non-competitive work in this area.

(4) Quantitative Targets

The WSC's objective is to specify environmental performance indicators that reflect the levels of energy and water consumption by the semiconductor industry as well as the waste that it generates; and to establish feasible quantitative targets that we can jointly work towards. It recognizes the achievements already made on common metrics and it is hopeful that positive progress on common targets can be made.

(5) Other ESH Issues

The WSC has a great interest in legal and regulatory systems that have a global impact. Examples of these include the EU's REACH policy concerning chemical

products; various nations' RoHS (Restrictions on Hazardous Substances); and restrictions and potential restrictions on PFOS (Perfluorooctane Sulfonate) – a chemical that is contained in materials necessary for the development of advanced devices. As a result of its review of PFOS, the WSC is exploring meaningful and feasible joint approaches to further reduce the small quantities of PFOS used in the industry.

The semiconductor industry has long recognized the importance of proactively protecting the global environment – as is demonstrated by our numerous efforts in this area. Provisions that ensure the full confidentiality of company specific business information must be a precondition for all legislation and/or regulation.

Free and Open Markets

The WSC re-confirms, as a founding principle, the importance of ensuring that markets be open and free from discrimination, and that the competitiveness of companies and their products be the principal determinant of industrial success and international trade. Governments and authorities should, therefore, insure full intellectual property protection, full transparency of government policies and regulations, non-discrimination for foreign products in all markets, a tariff-free global environment for semiconductor products, and an end to investment or other regulatory restrictions tied to technology transfer requirements. The WSC has directed its Joint Steering Committee to develop joint advice that the WSC can present to the GAMS on an ongoing basis to foster further trade liberalization.

Access to advanced and affordable semiconductor technology promotes economic development by increasing productivity and providing the infrastructure needed to compete in the digital age. Accordingly, the Doha Round of the World Trade Organization (WTO) should focus on policies that promote complete open-access to semiconductors and other information technology goods and foster investment in these sectors. In addition, in order to spread the benefits of information technology (IT) to consumers around the world, complete tariff elimination on all semiconductors should be achieved through additional countries joining the Information Technology Agreement (ITA).

A recent evolution in packaging technology such as multichip ICs led to the reclassification of certain semiconductors for customs purposes. WSC members appreciate the support of our GAMS members in addressing the classification issue, and urge them to continue to work with the industry to finally resolve this issue.

Furthermore, the WSC urges the GAMS to achieve zero duties by July 1, 2005, and the signing of multichip IC agreement initiated in 2004 as soon as possible.

National Treatment for all Products and Services

The rules of the World Trade Organization require that products and services be granted national treatment status – this is a foundation upon which all companies rely in order to be able to compete fairly and openly in world markets. Denial of national treatment has the effect of limiting market access and distorting patterns of trade and investment. The WSC appreciates the prompt, positive and cooperative solution found to the Chinese VAT rebate issue through the WTO consultative process and will follow with interest policies which are designed to replace these measures. In particular, policies and measures which distort international trade and investment patterns should be avoided.

Effective Protection of Intellectual Property

Semiconductor producers are compelled to invest a very high percentage of their revenues in R&D and the intellectual property (IP) that results is the lifeblood of these companies. Failure to adequately protect IP is damaging to the semiconductor industry and ultimately impedes the technological progress that has benefited consumers around the world. The WSC discussed the activities of the IP Task Force, which the WSC had created in 2004 to review IP protection around the world.

The WSC reiterates its call for all governments/authorities to implement effective enforcement measures for protection of IP rights within their jurisdictions. The WSC emphasizes the obligation of WTO members under Article 41 of the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), which requires WTO members to ensure that enforcement procedures of IP rights “are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement." The WSC believes that enforcement in some countries remains short of what is necessary to be effective and provide adequate deterrence.

While the WSC acknowledges that certain improvements have been made in those countries since last year through the sharing of information, seminars and other initiatives and clarification of interpretations regarding the enforcement measures of IP rights, it would be desirable, to achieve further progress, for the governments of

these countries to review and enhance their IP enforcement measures including remedial measures under civil law and, where appropriate, criminal proceedings as well as improving transparency regarding their enforcement efforts.

The WSC appreciates the support of the Governments/Authorities Meeting on Semiconductors (GAMS), for the WSC's 2004 paper, "WSC Policy Regarding Layout Design Intellectual Property," which set out a multi-pronged approach to address counterfeiting of ICs and other semiconductors. In addition to the lost revenues suffered by the original designer of the legitimate IC, counterfeiting can result in unreliable parts being purchased by unwary consumers.

This year the WSC received a report on the discussions in the IP-TF relating to alleged copying of other semiconductor technology assets (circuit level, etc.). Some twenty years have passed since the first enactment of laws for the protection of layout design (maskwork) under the laws of the U.S. and other countries and under international treaties. Given the considerable change that the semiconductor operations and the technologies of semiconductor assets have undergone during these years, the IP-TF continues discussions of the scope of protection of layout designs provided under TRIPS.

The WSC appreciates the governments'/authorities' review of the WSC 2004 recommendation related to the ability and funding of domestic patent offices to insure the timely and accurate issuance of patents, and encourages continued focus on this issue.

Technical Standards

The WSC recommends that when standards are necessary, they be industry led, open, voluntary whenever possible, and fully comply with existing WTO rules—including the Technical Barriers to Trade (TBT) agreement. In accordance with existing WTO TBT rules, the WSC believes that it is important that international standards should be used whenever possible and that any WTO member should notify the other WTO members of any standard that may have a significant effect on trade. The WSC requests the governments and authorities participating in GAMS to continue its effort ensuring that all WTO members to observe the principles above.

Measures to Support the Growth of the "Internet Society"

Semiconductors are the key enabling technology of the information technology revolution, and they are key component of the growth and spread of the Internet society. It is very important that trade in this area remains as open as possible, and that international rules and domestic regulations foster an open and competitive market.

The WSC also reaffirms the importance of the principles set forth in its paper on *The Dangers of Copyright Levies in a Digital Environment*, adopted at the WSC's 2003 meeting. Under the present system, levies are unfairly and indiscriminately imposed on all technologies regardless of their intended use. Levies also jeopardize the joint efforts by content providers and the technology industry to develop new ways for consumers to access and enjoy digital content while directly compensating artists. The WSC believes that governments and authorities should make commitments to refrain from imposing levies on digital equipment and blank digital recording media. Industry efforts to develop DRM (Digital Rights Management) and TPM (Technical Protection Measures) should be supported.

Legislative & Regulatory Issues

High technology goods including semiconductors and products in which semiconductors are the principle components are increasingly affected by a varying array of regulatory measures in markets around the world. In situations where product regulations are deemed necessary, they must be nondiscriminatory and based on sound and widely accepted scientific principles and available technical information and should not impede the effective functioning of the market.

The WSC believes that use of low-powered wireless systems without regulatory licensing is essential to the creation of "ubiquitous network society" and governmental commitment not to impose fees on use of low-powered wireless systems is crucial. The WSC therefore suggests that no fees be imposed on stations that do not need licenses using low-powered wireless systems. Policies on the use of unlicensed lower-power frequencies must be nondiscriminatory and based on sound and widely accepted scientific and technological principles. These policies are set forth in Annex 3.

Consistent with existing WTO rules, regulations should be the least trade-restrictive as possible. The WSC continues to examine legislative and regulatory issues from

this perspective.

Analysis of Semiconductor Market Data

The WSC has reviewed semiconductor market reports covering such trends as market size and growth. The long-term outlook for the industry remains solid as advances in technology continue to bring benefits to consumers and businesses worldwide. Semiconductor market growth will be further stimulated by the rapid development of the Asia Pacific market, including China.

Report to Governments/Authorities

The results of today's meeting will be submitted to the representatives of WSC members and respective governments/authorities for consideration at the annual meeting of WSC representatives with the governments/authorities to be held in September 2005 in Seoul, Korea.

The WSC's report will include the following:

(1) An updated report on semiconductor market data prepared by industry experts;
(2) Recommendations on trade-related issues, including free and open markets, intellectual property protection, tariffs, technological standards, the fostering of electronic commerce, national treatment, and copyright levies that can be pursued through the WTO and other means; and
(3) Reports on cooperative ESH activities, and recommendations regarding the development of regulations.

Next Meeting

The next meeting of the WSC will be in May 2006 hosted by the U.S. Semiconductor Industry Association (SIA) in San Francisco.

Key Documents and the WSC Homepage

Annexes:

1. PFC emission reduction announcement and data
2. WSC-SEMI Joint White Paper
3. Technology neutral spectrum policy for low-power wireless systems with no user fees

All key documents related to the WSC can be found on the WSC website, located at: http://www.semiconductorcouncil.org.

Information on WSC members can be found on the following website:

EECA-ESIA：	http://www.eeca.org
JEITA-JSIA：	http://semicon.jeita.or.jp/en/
KSIA：	http://www.ksia.or.kr
SIA：	http://www.sia-online.org
TSIA：	http://www.tsia.org.tw