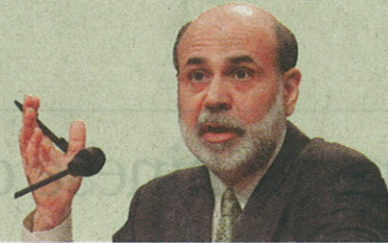


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Shipping B4
Earnings



US Fed remains vigilant against inflation

Economy B11
World

Hang Seng Index:
+267.91 points, 1.37%

19,821.78
Snapshot

H-share index:
+116.4 points, 1.23%

9,599.53

Top blue-chip gainer:
China Netcom

▲6.26%

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Business

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SOUTH CHINA MORNING POST FRIDAY, MARCH 30, 2007

Beijing signs deal to make processors and forms group to set standards for super PCs

China climbs technology value chain

Jeff Pao, Stephen Chen and Bien Perez

The mainland took two key steps yesterday to move up the technology value chain, signing an agreement to manufacture Chinese-designed computer processors and forming a group to set standards for locally made supercomputers.

In the first initiative, the mainland will produce domestically designed computer processors in partnership with Italian-French firm STMicroelectronics, a move to undercut Intel Corp and Advanced Micro Devices

for control of the lucrative computer processor market.

In the second effort, the Chinese Electronics Standardisation Association formed a sub-committee to set standards on the manufacture of supercomputers, with an eye towards helping mainland manufacturers become the supplier of high-powered computers to the developing world.

While both efforts are in the initial stages and face many obstacles, they deepen the mainland's ability to develop beyond being the low-cost assembly line of the world.

According to the agreement between the Chinese Academy of Sciences' Institute of Computing Technology (ICT) and STMicro, the European venture primarily known for its memory chips will use its production lines and marketing channels to produce and commercialise the Loongson 2E, a low-cost processor designed by ICT, which previously funded what later became Lenovo Group, the world's third-largest personal computer maker.

Professor Li Guojie, a member of the Chinese Academy of Sciences, said the mainland market was of suf-

ficient size to challenge the two dominant chipmakers.

"We believe there are 700 million to 800 million people in China and billions of people in the world who need low-priced, high-performing desktop systems," Mr Li said.

The Loongson 2E, unveiled in September last year, is a 1GHz processor using 64-bit architecture.

However, critics question whether the effort can make serious inroads into the processor market, noting the massive investments required to keep designs current and the fabrication facilities needed to produce the

chips. History has not been kind to other players that have attempted to challenge Intel and AMD.

One doubter is Xie Zhouyi, a Shanghai-based Intel engineer, who noted that Loongson chips were used only in low-end products, while the rapid development of internet media technologies meant computer chipmakers must continually increase the processing power.

"Performance is the key to today's consumers," Mr Xie said. "If a product has too many limitations and requires customers to compromise, it won't sell, however low priced it is."

Underscored by its other announcement yesterday, the mainland also hopes to become the supplier to the developing world at the very top end of the computer market - the type of computers that power weather forecasting systems and can find oil in ocean beds. The first step is to set uniform standards for the domestic manufacturers.

"The standardisation can help Chinese supercomputer makers form a union and break the monopoly of international manufacturers," said Charles Mok Nai-kwong, a former member of the Hong Kong Infor-

mation Technology Federation. "When the technology is mature, China can sell its supercomputers to Third World countries."

The US government is wary of allowing its companies to sell supercomputers to countries such as China and Iran, fearing the technology will be used to design nuclear weapons and other armaments. This has created a market opportunity for mainland manufacturers such as Shenzhen-based Galactic Computing and Dawning Information Industry, each of which has systems on the Top 500 Supercomputers list.