

WEDNESDAY
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San Jose Mercury News

Japan →
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U.S. regains chip lead

■ Intel, Motorola, TI and IBM push U.S. market share past Japan for first time since 1985.

BY REBECCA SMITH
Mercury News Staff Writer

Fulfilling widespread predictions, America's computer chip industry this year regained a slim lead in the \$83 billion business whose products lies at the heart of every key technology. U.S. firms knocked down a global market share of 41.9 percent to Japan's 41.4 percent share, according to Dataquest Inc., a market research firm in San Jose.

It marks the first time since 1985 that America's chip industry has been dominant, the feat largely accomplished by strong sales at four firms: Intel Corp., Motorola Inc., Texas Instruments Inc. and International Business Machines Corp.

Collectively, they rake in one in four dollars spent on chips internationally.

The rebound by U.S. chip makers in 1993 — which resulted in American firms gaining 0.4 percentage point of market share to Japan's loss of 0.9 percentage point of market share — was made possible by several factors.

■ A booming personal computer market has made microprocessor giant Intel the biggest chip maker in the world, responsible for one-tenth of all chip sales globally.

■ An international semiconductor agreement, renegotiated between the United States and Japan in 1991, is forcing Japan to purchase roughly 20 percent of the chips it uses from foreign suppliers.

■ A technology migration from analog to digital chips has played to an American strength.

■ A conscious strategy by U.S. firms to produce higher-value products, abandoning commoditylike memory chip products to Japanese and Korean competitors, has increased U.S. profitability.

Not to be overlooked, a weakness in Japan's consumer electronics market has hurt its domestic firms disproportionately, eroding their ability to reinvest in new plants and products.

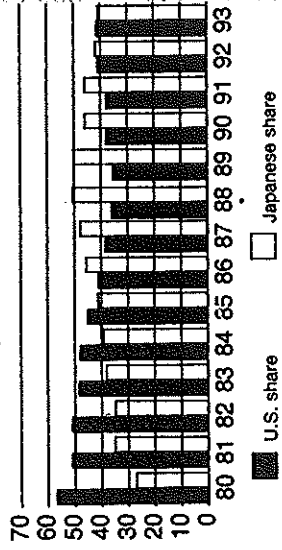
“The declining Japanese economy, coupled with
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BUSINESS

MARKETS ♦ HIGH TECH ♦ ECONOMY

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Percent of world chip revenues



■ U.S. share □ Japanese share

1993 figures are preliminary estimates.

Source: Dataquest Inc.

MERCURY NEWS

TALKING BUSINESS

“There is absolutely no question that this suit could force the closing of the mountain.”

BOB MADDOX,
attorney, on a civil suit he claims threatens Squaw Valley

my predicted until '98

restructurings, which often resulted in mass layoffs. Stone said she expects to see new job growth mostly coming from small businesses.


The Bay Area's population is expected to grow by more than 1.5 million residents from 1990 to 2010, bringing the region's population to 7.5 million people. Four-fifths of those new residents will be Asian or Hispanic, the report said.

ABAG predicts that the Bay Area will add 43,000 jobs each year until 2010, Brady said. By comparison, 57,000 jobs were created annually during the 1980s, and 81,000 were added each year in the 1970s.

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INSTRUCTIONS ON PAGE 2A

■ Association of Bay Area Governments news release on economic forecast. **B960**

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U.S. regains lead in chip industry

■ CHIPS

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increased foreign competition has allowed U.S. companies to jump back into the worldwide lead," said Gene Norrett, vice president and director of Dataquest's worldwide semiconductor group.

The impact of booming PC sales has been dramatic and is expected to continue helping U.S. firms well into 1994.

Intel boosted its sales by more than \$2.85 billion to approximately \$8 billion in 1993, according to Dataquest estimates. That increase represents more money than No. 9 Mitsubishi Corp. registered in sales for the year. Another big microprocessor maker, Motorola, displaced Toshiba Corp. to take over the No. 3 spot globally.

The U.S. chip industry has held the lead for most of the industry's existence.

In 1965, for example, Japan held an 11 percent market share to an American 70 percent market share. But for the next two decades, an export-driven Japanese industry ate into the U.S. global market share, taking the lead in 1985, an event that was dissected by U.S. firms, producing the battle plan that appears to have reaped results this year.

Semiconductor industry analysts have been predicting for more than a year that the United States would regain the lead.

"There was a chance Japan's consumer market might have picked up, but it didn't," Dataquest analyst Jim Handy said. "We also have found the growth in the PC industry was more sustained than we'd have expected a year ago."

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INSTRUCTIONS ON PAGE 2A

■ Dataquest news release on chip market analysis. **B950**

Professional CAREERS

A guide to career opportunities

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