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## Updated: Intel confirms \$2.5 billion fab in China

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BEIJING — Intel Corp. confirmed Monday (March 26) that it will build a \$2.5 billion, 300-mm wafer fab in the northern Chinese city of Dalian. Fab 68 will begin construction later this year and is expected to go online in 2010, using 90-nanometer technology to "initially" make [chip](#) sets, the company said.

Fab 68 will be Intel's first wafer plant in Asia, and is its first in 15 years at a new site. The project is a major coup for China, which is campaigning to move up the technology food chain and to clean up its poor track record on intellectual property protection.

"It is no secret that China is at the forefront of a remarkable surge in both market growth and innovation," said Intel chief executive Paul Otellini during a press gathering at the historic Great Hall of the People, China's seat of power. "Today's announcement sends a message that the Chinese market is very important to Intel."

China is Intel's second largest chip market after the U.S. and Asia's largest PC market.

Otellini had some other messages, too. For the U.S.: Get more competitive or else. It costs Intel \$1 billion more to build a factory in the U.S., he said, naturally encouraging the chip giant to scour the globe for options. Of its last three advanced factories, two have been built in the U.S. and one in Israel. "The fourth one is [in China] today. So we are taking a fairly global view on these investments, and weighing the all core expertise we have at existing sites against the cost savings and incentives that governments can give us," he said.

Intel expects the fab to be its lowest cost site by the time it comes online. For the first time, the company won't use its "copy exact" [mode](#) of ramping a facility—basically using existing [protocol](#) to speedily get a facility up and running. That's a bedrock principle of Intel manufacturing.

Instead, Otellini said Intel will experiment with "new technology" to try to get the China fab to be its lowest cost advanced facility in the world. Some U.S. engineers will move here to oversee the facility, but it won't be on the scale seen at Hynix-ST Semiconductor in Wuxi, China. That facility is one of the fastest ST has ever brought online, but the quick ramp up was largely due to the fact that Hynix shipped in about 500 engineers from South Korea.

Otellini hinted that Intel would like to eventually make CPUs at the plant, and introduce some of the company's most advanced technology. For now, that's not in the cards because of [U.S. technology export restrictions](#).

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Until China shows a comprehensive commitment to [IP](#) protection, the chip maker will likely remain cautious about how much advanced technology it brings here. "Intel is still not ready to release any of its most leading-edge 'tricks' to China. And Intel's ex-pat employees do not have access to Intel's most advanced developments from the U.S.," said Joanne Itow, an analyst at Semico Research.

With the new fab, Intel's investment in China will total \$3.8 billion, making it one of the country's largest foreign investors.

Because the company chose China for the fab, it's highly unlikely that it will [open such a facility in India](#). The subcontinent has been lobbying Intel for a wafer facility and recently announced an incentive plan it believes will bring in \$5 billion in investment during the next three years.

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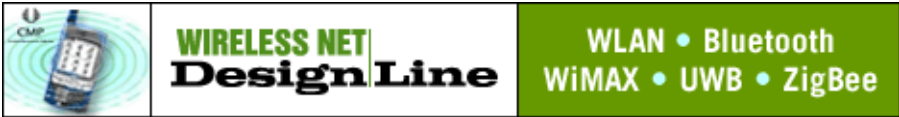
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