INVESTMENT CLIMATE: WELCOMING INNOVATION

America is the world's most dynamic and productive economy because innovation drives high productivity. Productivity, in turn, allows Americans to earn high wages and maintain a high standard of living. Investment in innovation spurs growth throughout the economy.

High technology research and manufacturing fosters creativity and entrepreneurship in the universities, businesses and communities where these activities occur. The strategic application of many new technologies makes maintaining a critical mass of innovation research and manufacturing in the U.S. also an urgent national security concern.

WHAT OTHERS SAY:

The big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition. That means securing unquestioned superiority in nanotechnology, biotechnology, and information science and engineering. And it means upgrading and protecting the investments that have given us our present national stature and unsurpassed standard of living.

"Sustaining Innovation Ecosystems"
President's Council of Advisors on Science and Technology

Creating an environment that welcomes innovation investment is critical to America's competitiveness. Other nations have recognized the strategic importance of the high technology sector, and in particular, the semiconductor industry. Often, America's competitors offer rich incentive packages to attract innovation research and manufacturing to their shores. Tax holidays, subsidies, accelerated depreciation, low interest loans and training grants are among the many incentives nations ranging from Germany to China make available to chip makers. The U.S. must level the playing field.

KEY FACTS

Chip manufacturing is capital-intensive, not labor intensive.

Governments' industrial policies have a far greater impact on chip manufacturing costs than do labor cost differences between nations.

Over ten years, there is a $1 billion cost difference between a U.S. 300 mm fab (leading edge chip plant) in the U.S. and in Asia. 90% of this difference results from grants and tax breaks.

In 2009, 16 new semiconductor factories began construction throughout the world. Only one of them was in the U.S.

U.S. chip makers still lead with a 51% worldwide share of revenues, but others are relentlessly seeking to gain share.

Predictability matters! The R&D tax credit has threatened expiration or actually expired and been extended 12 times since its creation in 1981.

R&D Tax Credit

At a minimum, predictability of the Federal R&D Tax Credit must be addressed. Created in 1981, this program has faced expiration and been extended 12 times. Making the R&D Tax Credit permanent would contribute to its effectiveness as an incentive for innovation research. Similarly, increasing the rates for the Alternative Simplified Credit to 20% from the current 14% would help narrow the gap between the U.S. R&D credit, which currently ranks just 24th most effective among 38 countries assessed by the OECD, and our trading partners.

Federal R&D Tax Credit reform would be an effective first step to increasing domestic incentives for innovation investment.

For more information on the important role semiconductors play in American innovation and competitiveness, please visit:

www.choosetocompete.org
Or call SIA at 202.573.6612

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