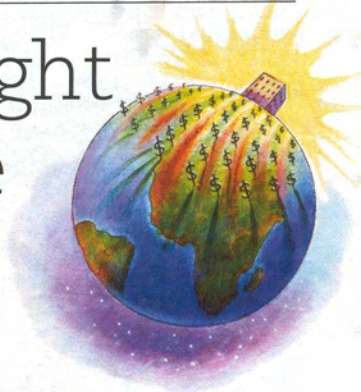


U.S. execs see bright future for Europe



By Colin Holland

CAMPBELL, California — And they have beer on the stands! What was once the incredulous reaction by executives from the United States to the hospitality for which Electronica is famous has now turned to a boast “. . . and we are going to have beer on OUR stand, and it won't be American”. But it is not the beer, or even the sausages, that continues to attract a worldwide audience to a chilly Munich every two



“We see the European market as very healthy”
— Sanghi, Microchip

years. It is the opportunity to meet the electronics sector in all its guises. The semiconductor folk might not tend to venture out to the extremities where cabinets and racks are all the rage and no doubt the emech aficionado might avoid

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the hype that surrounds the Micro-NanoWorld. But the whole electronics world shows up for Electronica.

So what is the view, from the far side of the Atlantic, of the state of European electronics?

“We see the European market as very healthy. In fact in the quarter that finished in September, Europe was the only geography in the world that exceeded our expectations,” said Steve Sanghi, president and CEO of Microchip Technology. “In the summer quarter, due to the holidays, Europe is usually down but we saw flat results — which is the best performance we have ever had. The bigger economies like Germany are very strong.”

Sanghi also cites a European-driven initiative to introduce lead-free/RoHS compliance as Microchip’s incentive to ensure that all its products were compliant and shipping well ahead of a July 1 deadline. “We were shipping all

Salaries in Ukraine have doubled: McDonald, SiTime

of our products worldwide lead-free by Jan 1. We worked ahead of time to clean out our distribution inventory. But there is still a large amount of non-Microchip products in the distribution chain which do not meet the specifications.”

The biggest change — and biggest boost — for the European market has been the opening of Eastern Europe. “In the last five years this has accelerated significantly,” said Sanghi. “A lot of multinational U.S. corporations, after completing product design, go to Asia for manufacturing of products whereas a majority of Western European designs tend to be manufactured in Eastern Europe. So the business stays within Europe.”

He added, “We do significant business today in Poland, Hungary, Czech Republic and even Russia.” Until recently, Microchip provided little technical support to the emerging economies, but that is changing. “What we have seen from Asia, after manufacturing has been moved there, [is that] they start to build up design resources. Groundbreaking designs might still be done in the U.S. but subsequent designs — maybe smaller and less complicated — might be done in the manufacturing locations.”

This design movement is also hitting Europe. “We see some design activity in Turkey, Romania, Hungary, Poland

and certainly Russia where we have had significant business for some time. This trend will continue.”

Microchip opened a design center in Romania in July that has already completed design of several analog products. This joined an existing center in Switzerland that came to the company when it bought TelCom Semiconductor in 2001. This also does analog design and is doing “outstanding work” says Sanghi. While he won’t disclose the size of the Romanian facility, Sanghi says Microchip is already looking to expand.

Another company that has recently looked to eastern Europe for design assistance is SiTime, which is currently sampling its MEMS oscillators, which provide an alternative to quartz



crystals (see page 40). The company has opened a design center in Lviv, Ukraine, which currently employees three and will expand to six by February 2007 and has plans to grow to 15. “I knew someone there and he has recruited people who know about quartz and timing products. You can get engineers around 45 years old who have good experience in communications and RF,” said John McDonald, vice president marketing and sales at SiTime.

McDonald developed his contacts through a former employer, Cypress, which has had a facility in Ukraine for four years and now employs 27 people there. “The economy is starting to pick up now. Salaries there have doubled since we first went there,” said McDonald.

Also riding the tides of change in Eastern Europe is Fairchild Semiconductor, according to Thomas Beaver, executive vice president, worldwide sales & marketing. “In the next three years we expect total European sales to rise from 11 percent of total sales to 14 percent. This rise will be driven by Eastern Europe.”

Beaver added, “We have just opened two offices, one in Turkey and one in the Slovak Republic and moved an executive from Scotland to support the growth in electronic manufacturing ser-

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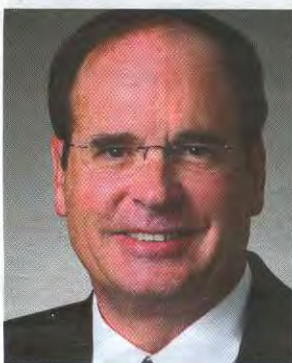
A view of Europe

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vices (EMS) activity in Eastern Europe. It is one thing to get a design-in but you have to make sure that your device is used in the final product and that's why we have to have local people."

Beaver said that, besides the opening of Eastern Europe, the keys to European market dynamics in general now are mobile phones — one of Europe's prevailing strengths — automotive applications and industrial designs.

The importance of the industrial sector is driven by energy requirements for motor drives, lighting and metering, as well as in emerging applications such as solar inverters, LED lighting and servo drives. To address this, Fairchild, a leading supplier of analog power management ICs and discrete power devices, has established a design



center in Munich. "There are different requirements for

white goods like washing machines in Europe so you have to have local design resource to support it," said Beaver.

James Truchard, president and CEO of National Instruments heralded the recurring theme of European automotive excellence when he said, "Companies in the German automotive space are very focused on next-generation embedded design and we have been doing quite a lot of work in areas like hardware in the loop but also in testing and in big physics applications like Cyclotron."

Truchard elaborated: "Starting from the late 1980s, we have deployed engineers all over Europe and this has now extended into Eastern Europe. These have to be technical people who can help the customer get started in design-



ing a system. European sales represent 29 percent of our business now. We have

Interesting to see new technology being so more readily adopted in Europe — Meyers, Synplicity

gotten involved with some big projects like Airbus and in CERN. Being a US based-company has not proved to be a barrier. Differentiated products make a big difference."

He stressed the importance of diversifying "locally" rather than "moving from Western Europe to the Far East or Eastern Europe." Truchard said, "We have been able to replace this business with emerging areas of technology like nanotechnology and life sciences, companies working on drug discovery and biomedical applications." As a result, NI has been able in the last year to increase its business in Europe by 14 percent in terms of U.S. dollars.

As a company that sells its products and services directly in most geographies, NI can track business as it moves around the globe. "We can also make local European companies more productive and hopefully keep more business local. If you can do a process

Rise will be driven by Eastern Europe — Beaver, Fairchild

with less labor you can compete. Our tools are aimed at making people more productive. This will make companies more competitive."

NI has a development center in Germany, based on an acquisition in the late 1990s, that provides software and services to the automotive industry. "The bulk of our manufacturing is now in Hungary and we have a small operation in Romania. Development is also done in China and India but the bulk is done in Austin, Texas. We have been very happy with the results of the move to production in Hungary, we have got very good labor and are often listed as one of the top employers in the area. It has been very a good financial win for us. I am certainly a fan of Eastern Europe."

Truchard also believes it is important to have people close to the development areas. "In things like automotive, some of the technologies like buses tend to be regionally specific," he noted. "So having local support is desirable."

We are feeling pretty good about Europe and where it is heading — Truchard, National Instruments

Interesting to see new technology being so more readily adopted in Europe – Meyers, Synplicity



Lately, there is a feel-good factor about Europe in general.

“We tend to track the JP Morgan Industrial Production Index,” said Truchard. “It has been positive about Europe recently, more positive than it has been about the U.S.”

FPGA development software tool developer Synplicity is also a fan of the European experience. “We have found in almost every case that Europe has adopted our new products ahead of other regions,” said Gary Meyers, president and CEO of Synplicity. “It is interesting to see new technology being so more readily adopted in Europe whereas you would think that America or maybe even Japan would be at the forefront of technology. We are only talking about a few weeks or months — not a long delay.”

As the reason for this, Meyers said, “I have found that design methodologies are more structured, formalized and well-defined in Europe, whereas elsewhere they tend to be more variable. I also think that there are groups within large [European] organizations, either in the research side or EDA side, that can bring in new products and evaluate them and determine their readiness for deployment throughout the rest of the organization.”

Meyers also cited an abundance of talent — as a catalyst for tool development — that stretches from Eastern Europe to the Middle East. Poland has a large Mentor Graphics operation. Synopsys is in Armenia and Egypt has

A big boost with programs that came out of Italy – Staunton, Ramtron

seen development activity by Mentor. Many EDA companies are looking toward Eastern Europe like they did towards India some time ago, for a low-cost, high-talent workforce.

Synplicity is doing true product development in India, “high-level work and the staff are equivalent to our staff elsewhere,” said Meyers. The company has also established a development center in Turkey, partly because a senior DSP product developer from Turkey wanted to go back home. “His wife was a professor at University there and mentioned that there were some

very talented people working on DSPs,” said Meyers. “So we were able to build an organization.”

In Eastern Europe, Meyers said he is looking toward Ukraine or Poland, but “we need to have a critical mass there to make it worthwhile. If we did an acquisition or found a team working in a particular area we would be open to it. I like the fact that we have built up a sizable operation in India and we will be moving them into a new facility twice the size later this year.”

Meyers added, “You do need to have critical mass to get quality work. You need to have the application people with the developers and the documentation people, the managers and project management. It all needs to come together. Otherwise you are dealing with time-zone issues constantly and that is just not productive.”

FRAM developer Ramtron has benefited from programs in Italy for meter applications and in Germany for automotive. Bill Staunton, CEO of Ramtron, said, “The advanced metering infrastructure program being run by ENEL — which we got through a U.K. company called Ampy Automation — gave us a big rise in revenues. In 2002 there was nothing like this going on in the United States and now we are involved with around 60 of these type of projects.” This activity, he added, is now being extended to Eastern Europe.

“Europeans, especially the Germans, have adopted our technology before anyone else for high-end automotive applications and now it is proliferating,” said Staunton.

The company has followed the trend by putting specialists close to the



design centers, but most revenues come through distribution. The European market represents a healthy 24 percent of total sales.

Online:

For more U.S. execs views on Europe including Donald Faria of Altera, Mike O'Neill of AMI Semiconductor, Syed Ali of Cavium Networks, Mark Lunsford of Micrel, John Nation of Spansion, Andrew Post of Vishay Intertechnology and Perry Grace of Zilog.

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