Intel Snubs US - To Build $3.5Bn Chip Plant In Israel

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(Reuters) -- Intel will build a $3.5 billion chip plant in Israel, the largest investment ever by an industrial company in the country.

Thursday's news of Intel's second plant in Israel--which will produce 300-millimeter wafers using a 45-nanometer process starting in the second half of 2008--confirms an announcement made in July by Prime Minister Ariel Sharon.

Sharon had said the company would invest around $4 billion. Until now, Intel had declined to comment.

"Intel is committed to widening its lead in advanced semiconductor manufacturing," Intel Chief Executive Paul Otellini said in a statement.

The government has already approved a grant of $525 million for the new facility, as well as Intel's $600 million plan to upgrade its existing plant.

Construction on the project, which will be Intel's second 45-nanometer factory in the world, will begin immediately, the company said.

The 45-nanometer technology will allow chip circuitry to be built at about half the size of today's standard 90-nanometer technology.

Intel said the project will create more than 2,000 new jobs at the new plant in the southern town of Kiryat Gat, the site of the existing plant that employs about 3,500 people.

The world's top chipmaker, whose processors power an estimated 80 percent of personal computers, reported exports from Israel of $1.17 billion in 2004. Its exports peaked at $2.02 billion in 2002.

The company, which has two plants and five development centers in Israel, accounted for 9 percent of Israel's total electronics and information technology exports in 2004. Centrino mobile technology was developed in Israel.

In 1999, Intel--active in Israel for 30 years--built its first plant in Kiryat Gat with a total investment of $1.6 billion, including government subsidies.

Manufacturing with 300-millimeter wafers--about 12 inches in diameter--significantly increases the ability to produce semiconductors at a lower cost compared with more commonly used 200mm wafers. They also use 40 percent less energy and water per chip, Intel said.

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