

# Engage, talk and communicate

Tyson Tuttle, President and CEO of Silicon Labs, talks to **Neil Tyler** about how the trade war between the US and China is impacting business

**N**ews that the US and China might be at the point of signing a formal trade deal, given progress in talks between the two countries, will be welcomed by many as tit-for-tat tariffs have significantly disrupted manufacturing supply chains. Among those welcoming any such agreement would be Tyson Tuttle, the President and CEO of Silicon Labs.

“We are heavily engaged with Chinese customers and having to deal with this ongoing trade war and all the uncertainty that it creates.”

According to Tuttle it's having a serious impact on business.

“If you look across broad-based semiconductor suppliers, from Microchip and Renesas to Maxim, NXP, ST or Cypress, everybody's down 15-20 plus percent. Looking at Q3 2018, in terms of revenue, compared to Q1 this year, it's been much worse than we all thought about a quarter ago.”

It's not just the US-China trade war that's creating uncertainty, Tuttle points to Brexit, the recession in Italy, currency turbulence in Turkey and a more general global slowdown.

“For US companies, there's the additional uncertainty of not knowing whether tariffs are going to rise to 25%, or drop back to 0% - are we going to shut down Huawei or not?”

When it comes to the company's product strategy, Tuttle remains confident that Silicon Labs is working on all the “right stuff” but, “while we may have great products and great relationships, that counts for little if in the end market demand is uncertain.”

Tuttle is concerned that the electronic supply chain is being used as a pawn in the on-going trade war.

“Companies are literally holding on. They are moving manufacturing sites from place to place to de-risk. It's like there's a wave and you've created a ripple throughout the supply chain. At some point companies will say that they've got enough stock and stop ordering, and that's the wave that will hit you.”

The business environment can only take so much of this, suggests Tuttle. “It's hard to plan around.”

## High noon

It's not just the ongoing trade war that is causing concern, however. The issue of security, and questions raised over Chinese companies

and their relationship with the Chinese security services, has been an ongoing issue for many months.

“Huawei's a big customer of ours, as was ZTE,” says Tuttle. “We had to stop shipping to ZTE last year and we could face a similar situation with Huawei. There are plenty of US companies with billions of dollars of exposure in near term business and long-term strategic relationships with Chinese companies. It's almost like we've a gun pointed at each other.”

Not only that, but Chinese businesses are also extremely innovative. Many analysts have warned that the infrastructure associated with 5G is dependent, to some extent, on technology developed in China.

“We've seen a number of Western countries saying no to Huawei infrastructure equipment; moving orders over to Ericsson, Nokia and others. There's massive leverage being applied to address this issue, and the question is, even in the midst of a trade war, are they going to decouple the Huawei situation from the overall objectives of subsidies and trade barriers?”

Tuttle suggests that both China and the West are engaged in espionage but that, “sponsored industrial espionage is unacceptable. We don't work with the National Security Agency to steal secrets from the Chinese so that we can better our business. I find that distasteful.”

Tuttle, who sits on the Board of Directors at both the Global Semiconductor Alliance and the Semiconductor Industry Association, regularly engages with CEOs from across the industry, as well as with government bodies and officials.

“Interestingly, there is a consensus among business and political leaders about engaging with the Chinese – but we need to ensure that we both play by a common set of rules.”

“There are plenty of viewpoints. If you're a business that's heavily exposed to the Chinese market or you're involved in joint ventures and the like, then you've got a lot at stake. Companies need to play by the same rules. If you're not going to, then why should we?”

China has traditionally been seen as where products were manufactured and not where they were designed, but that appears to be changing - today there's far more product ‘Designed in China’.

Tuttle agrees that this is a growing trend and suggests that a lot of companies in China are showing more interest in IP development and protection as a result.

“I think that’s true, up to a point,” Tuttle contends. “We actually just had a briefing from the US Patent and Trademark office. We had the head of the US Patent and Trademark office come in and talk to us. I actually think it’s very positive that the Chinese patent system is maturing and becoming more aligned with that in the West.

“I believe that at the end of the day, we need a settlement that works for both countries – in truth I think there’s a win-win in all of this. But that depends on everybody coming to their senses.”

Towards the end of our interview, I ask Tuttle whether he remains an optimist.

“I’ve got multiple points of optimism,” he says. “You should let the water flow under the bridge as much as possible.

“Look at the need for semiconductor technology. It’s being driven by the Internet of Things which is creating disruptive business models; electrification, especially around vehicles, as well as by industrial automation.

“Then we have the roll out of 5G and the infrastructure investment associated with that.

“So, like I said at the beginning of this interview, I do feel we’re in the right markets and working with broader global trends.”

According to Tuttle, “We’re not in commoditised areas, like mobile phones or PC’s maybe, or memory, but rather in those areas that are powering the economy and the growth in the semiconductor industry - I think that we’re well positioned.”

When it comes to 5G, Tuttle is more circumspect than some of his peers.

“I think it’s going to take a little bit longer than people think, but there’s also a lot of early deployments taking place.

“We’ve got content in our synchronisation and power businesses there. You’ve got the benefits associated with 5G and that coincides with what we’re doing in terms of IoT.

“So, it’s a very positive trend and we’re starting to see results. We saw 30% growth in our infrastructure business last year, which is now worth over \$200million.”

Tuttle suggests that continued strength will help off-set any broader economic weakness.

“China will remain a key driver for our business, whatever happens. There are five times as many people in China as there are in the US. You’ve got a growing sophistication among their companies, whether they’re semiconductor suppliers or system companies. We haven’t even discussed artificial intelligence, but there’s a huge opportunity there too.

“We need each other,” Tuttle concludes, adding, “we have to engage, we have to talk, and we have to communicate. They need our technology, but we need their markets.”



### **Tyson Tuttle**

Tyson Tuttle has been the Chief Executive Officer of Silicon Laboratories since April 2012 and its President since February 2016. He held a number of roles within the business prior to these appointments, including Chief Operating Officer and Senior Vice President, as well as Chief Technical Officer.

Tuttle joined Silicon Labs in 1997 as a senior design engineer.

Previously, he held senior design engineering positions at Crystal Semiconductor/ Cirrus Logic and Broadcom Corporation where he focused on high-speed mixed-signal circuit design for mass storage and Ethernet applications. Tuttle holds an M.S. in Electrical Engineering from UCLA and a B.S. in electrical engineering from Johns Hopkins University.