GLOBAL ELECTRONICS INFORMATION NEWSLETTER

Issue No. 16 **November, 1981**

INDONESIA EVALUATED

National Semiconductor's vice-president for international manufacturing, Ed Pausa, analyzed his company's experiences in Indonesia for **Electronic Engineering Times'** (November 9, 1981) annual special report on Industrial Development and Site Selection. National currently employs 2500 Indonesians at its Bandung plant.

Said Pausa, "When we selected Indonesia for a plant site, the availability of a large number of assembly workers at world-wide competitive wage rates was a primary factor." On the other hand, he added, "Even though the wage costs are relatively lower than in other Asian countries, the total cost of doing business in Indonesia is not lower. Transportation costs, for example, are higher. But we have found that there is satisfactory productivity and profitability there."

Pausa pointed out that National must generate its own power and supply its own water. And he repeated the oft-heard complaint of foreign investors in Indonesia, that working with government bureaucracies takes "time and patience."

HONG KONG CONDITIONS

Asian Bureau Australia (September 8, 1981) recently summarized an interview with a 21-year old, Chinese electronics worker in Hong Kong, Tse Lai Ying. She works in a Chinese-owned plant in Kwun Tong area. Over 2,000 workers assemble watches, small televisions, clocks, and camera flashes. She earns HK$37.50 (US$7.50) for an eight-hour day.

Lai Ying explained why she and her co-workers do not take advantage of statutory paid holidays, "The wages for these statutory paid holidays are calculated according to the **minimum** we would receive had we worked that day, that is HK$30.00 (US$6.00). The many **special bonuses** on which we depend for an adequate daily wages are never included in the wages for paid holidays. . . . Many people not familiar with the factory system in Hong Kong criticize us for working on holidays. But in fact we need the extra money to meet the high cost of living."

Lai Ying also reported that supervisors regularly separate workers who become friendly, and that they try to prevent employees from talking on the job.

INDIA ELECTRONICS ZONE

The government of India has decided to close down 11 "inactive," Indian-owned ventures in the Santa Cruz Electronics Export Processing Zone (SEEPZ), located in a Bombay suburb, because of their poor performance. However, 37 ventures, including 19 with foreign participation (ranging from 20% to 100%) remain in operation. In addition, two new foreign-affiliated projects are gearing up for production.

The eleven inactive ventures, including Bhatkal Electronics, Expo Electronics, Mahajan Hybrids, and Jatin Electronics, were all established in 1975–76. The government must now decide how to dispose of the idle machinery and equipment which these companies imported duty-free.

The Santa Cruz zone is the only export processing zone in the world exclusively producing electronics. In its first eight years (to July, 1981), zone exports totalled US$57.9 million. Last year's (1980–81) exports, US$20.9 million, represented more than a third of the cumulative total, and greatly exceeded the official target of US$16.6 million. The 1981–82 target is $27.7 million.

In 1980–81, 39 percent of SEEPZ's exports, by value, went to the United States. Western Europe received 24.8 percent. Hong Kong and Singapore took 25.7 percent. The local value-added content of the exports totalled 55 percent.

In the fiscal year which ended March, 1981, the Indian government approved two ventures with foreign participation. Orson Video Private Ltd, incorporated in India, will manufacture recorded video tapes of feature films and documentaries. It projects an annual capacity of 340,000 tapes, with a value-added content of 46 percent. Sony owns 24 percent of Orson Video, and an Indian resident of Dubai holds the rest.

U.S.-based Sigma International holds 25 percent of the other new joint venture, 75 percent owned by an Indian partner. The Sigma affiliate will produce up to 5000 computer terminals and printers annually.

When the Indian government established SEEPZ in 1973, it required that **all** production be exported. Last March, however, the Cabinet decided to permit factories in the zone to sell up to 25 percent of their product in a limited segment of the domestic market. Presently the government is reviewing 60 additional requests to operate in the zone. (Submitted by T. Drieberg)

P.M.I. TO IRELAND

Silicon Valley-based Precision Monolithics has reached an agreement with the Irish Development Authority to establish an integrated, $32 million integrated circuit plant in Cork City. The company plans to employ 800 people by 1989 – including at least 150 engineers and technicians. The PMI Ireland plant will primarily serve the European market, but it will also export back to the U.S. The IDA will provide $3 million in support of a joint government-PMI training program.

PMI will thus become the second semiconductor-maker in Ireland which operates front-end (wafer fabrication) production lines as well as assembly. The first was Analog Devices. (**Semiconductor International**, September, 1981)

INTEL SALARY CUT

The semiconductor industry is well known for the financial rewards that it offers ambitious young engineers. Intel, considered the industry's "technology leader," has symbolized a new, hard-driving industrial culture, called "Intelculture" by the industry.

Intel's approach to the current slowdown is characteristic of the company's approach. It is asking, or requiring, some 5,000 salaried employees to work 50 hours, rather than 40, each week, at their normal (admittedly high) monthly pay. The company calls this the "125 Percent Solution."

FOREIGN ENGINEERS TO U.S.

The U.S. electronics industry, with its high professional salaries, has long attracted foreign engineers and scientists. Many have joined the industry immediately following their training at a U.S. university, while others have been individually recruited.

Now a San Jose-based "head-hunting" firm, Omni Personnel Services, is systematically recruiting engineers overseas. **Electronic Engineering Times** (November 9, 1981) reports that Omni has already placed at least seven Polish engineers and 10 Filipino engineers in the U.S. electronics industry. Omni plans to bring in a second group of Filipinos to work on the B-1 Bomber at Rockwell International, should Congress approve funding for that massive weapons system.

American engineers see the influx of foreigners as a corporate attempt to cheapen professional labor, but in countries like the Philippines U.S. recruiters pose the age-old problem of "brain drain." The emigration of Filipino engineers is particularly ironic at a time when the Asian Development Bank is publicizing its project to upgrade engineering education in the Philippines. (**ADB Quarterly**, October, 1981)

S.G.S.-A.T.E.S.

As reported in Issue No. 9, SGS-ATES Semiconductor, a U.S. branch of the Italian firm Societa Finanziaria Telefonica, has announced plans to move its headquarters from Waltham, Massachusetts to Phoenix, Arizona. In early October top management disclosed the purchase of 60 acres for $2.7 million. The company will retain most of its 35 employees in Waltham, and it expects to hire as many as 180 to staff its new HQ and a design center in Arizona. In 1984 it will construct a manufacturing plant on its Phoenix site in 1984, and it projects a workforce of 600 to 800 by 1986. The **Arizona Republic** (October 8, 1981) reports, "SGS-ATES Semiconductor has asked the Maricopa County Industrial Development Authority for backing on $8.7 million in tax-exempt industrial-development bonds to be used in construction of its plant."

CHINESE COMPUTERS

Competition between the U.S. and Japan is preventing the opening of the legendary Chinese market for major computer systems. The U.S., working through the intergovernmental CoCom group, has refused Japan permission to export a Hitachi 180 mainframe to China. CoCom is a body set up early in the Cold War to limit the flow of high technology from "Western" allies to Communist countries. In return, Japanes officials refuse to approve the export of an IBM 3033 to China. The Hitachi 180 was set to replace an earlier Hitachi computer in Chinese government meteorological and geological research, while the IBM 3033 was to be owned and operated by Western Geophysical Corp., a U.S. company which has contracted with the Chinese to provide data processing services for oil exploration. (**Electronics News**, October 19, 1981)

INDIA - NORTH KOREA

Indian & Foreign Review (August, 1981) reports that India's Electronics Trade and Technology Development Corporation (ETTDC) is assisting the North Korea government in the establishment of a semiconductor industry, under the aegis of the United Nations Development Programme.

DUTCH RECRUITING

The Netherlands Ministry of Economic Affairs has joined the line of recruiters and promoters attempting to lure high technology companies from Silicon Valley. The Industrial Commission of the Netherlands has opened a Bay Area office, and it plans a similar office in Texas next year. In late October the Dutch sponsored a dinner and panel discussion in Santa Clara to tout the Netherlands "central location" for selling to the European market. (**Peninsula Times Tribune**, October 29, 1981)

GOLD STAR FUNDS

Gold Star Semiconductor of South Korea, 44% owned by AT&T's Western Electric manufacturing subsidiary, has lined up financing for its US$92.3 million factory from the U.S. Export-Import Bank and a group of private banks headed by Manufacturers Hanover Trust. The plant will manufacture electronic switching devices, Honeywell computers, and semiconductors.

Eximbank is providing $18.6 million at 8.75% interest. An Eximbank press release (February 9, 1981) justifies the loan, "Western Electric reports that this sale will provide approximately 1,250 many-years of employment spread over 18 states."

Asia Monitor (Second Quarter, 1981) lists four separate loans from Manufacturers Hanover: 1) A one-bank loan of $4 million made in December, 1980, to initiate Gold Star Semiconductor's operations; 2) An $18.6 million syndicated loan to match Eximbank's support for the acquisition of U.S.-made equipment; 3) A $24 million syndicated loan; and 4) A 10 billion won syndicated loan to help pay local costs of production.

SUBSCRIPTIONS

Are you a paid up subscriber to the **Global Electronics Information Newsletters**? We have a few complimentary and exchange subscriptions, but we rely on paid subscriptions to defray production costs.

If the address label on your copy is circled, our records show that your subscription is due. Please send a check or money order to PSC. Current rates are:

US$5.00 in U.S.
US$6.25 in Canada & Mexico
US$10.00 overseas airmail

Do you have friends or colleagues who might be interested in the **Newsletter**? If so, please tell them about it or send us their names so we can send along samples.

Pacific Studies Center
867 West Dana Street, No. 204
Mountain View, California 94041
U.S.A.
(415) 969-1545

INSTA PRINT

address correction requested

BULK RATE
NON-PROFIT ORGANIZATION
U. S. POSTAGE
PAID
PERMIT NO. 155
MOUNTAIN VIEW, CA.