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LABOR RIGHTS PROPOSAL

Congressman Don Pease (D-Ohio) has introduced legislation which would make U.S. import preferences for Third World countries contingent upon the protection of the rights of workers in those lands. This approach, which cuts to the heart of the new international division of labor promoted by numerous multinational corporations, could eventually bring together activists and lobbyists from human rights and labor organizations. For now, however, the proposal is receiving little publicity, since Reagan administration policies have put both organized labor and the human rights community on the defensive, trying to preserve past legislative victories.

Specifically, Pease's bill would renew for six years the Generalized System of Preferences, an internationally sanctioned program through which the U.S. exempts from U.S. import duties 2,800 products from 114 poor countries and territories. But it would limit those preferences to countries which respect "internationally recognized" workers' rights. Furthermore, it would deny GSP treatment to goods produced in factories or foreign trade zones exempted from local labor codes.

The GSP does not cover electronics or textiles and apparel, industries which account for a large portion of U.S. imports from the Third World. If Pease's proposal is adopted, however, labor and human rights advocates could work to apply similar principles to other trade

and aid provisions, such as items 806.30 and 807.00 of the tariff schedule, which exempt re-imported components from U.S. duties.

Past attempts to cut labor-displacing imports have been characterized as protectionist, but the Pease legislation demonstrates that the status quo is not free trade. Truly free trade is not subsidized by government interference in the labor market. Pharis Harvey, executive director of the North American Coalition for Human Rights in Korea, says the Pease bill is "really a fair trade bill."

The legislation is backed by church, human rights, and development groups. Though the AFL-CIO supports the labor rights provision, it wants more significant changes in the GSP before it can support any renewal bill.

GSP expires in January, 1985, so it is likely that some action - perhaps a temporary extension - will be taken soon. The Pease proposal does not have the backing of the Reagan administration or Republican leaders in the Senate, so unless the November election strengthens the Democratic Party's position in Washington, it is unlikely that the labor rights measure will be enacted into law. Even so, the GSP renewal fight has created the opportunity to define America's goals for free and fair trade. (See Tim Shorrock, "New Bill Links Imports with Labor Rights," **Multinational Monitor**, April, 1984, pp. 6-7.)

SEMICON TRADE

The American semiconductor business and trade continues to grow. Offshore assembly continues to account for a majority of U.S. imports and exports, but semiconductors of Japanese origin are taking an increased share of the U.S. market.

From 1981 to 1983, 32 new firms entered the U.S. semiconductor industry, bringing the total to 149. Employment rose by only 8%, from 204,000 to 220,000. "Employment in assembly plants operated by U.S. producers in developing countries is believed to have increased by the same rate." U.S. consumption of semiconductors and parts jumped from US\$9.5 billion in 1981 to \$12.4 billion in 1983, while shipments rose from \$9.5 billion to \$11.8 billion. In that period, the U.S. semiconductor trade balance fell from a \$19 million surplus to a \$583 million deficit.

U.S. exports of integrated circuits and discrete components increased from \$3.6 billion in 1981 to \$4.4 billion in 1983. Of the top eight export markets, six were countries where U.S. firms send components for assembly; the other two were Japan and Canada.

Semiconductor imports, as a share of U.S. consumption, grew slightly from 37.6% to 39.9%. The proportion of imports receiving special tariff treatment under items 806.30 and 807.00 of the U.S. Tariff Schedule dropped from 78% to 69%. These items cover U.S.-originated products assembled offshore. Importers pay duties only on the value added abroad on such products.

Of the top eight sources of U.S. semiconductor imports, six were offshore assembly sites; again the other two were Japan and Canada. Though Mexico is eighth on that list, it ranked first as a supplier of transistors and other discrete components.

Shipments from Japan to the U.S. skyrocketed from \$389 million (11% of the 1981 total) to \$918 million (19% in 1983). "The increase in imports from Japan reflected the Japanese producers' strong market position in computer memory devices and their ability to increase market share as the U.S. domestic industry became capacity limited."

These statistics, probably the most accurate measure of semiconductor trade available, do have shortcomings. First, they do not cover transfers to and from third countries. Singapore's role as a supplier may be overstated, since some firms ship chips assembled in Malaysia, Indonesia, or the Philippines to Singapore for testing before transport to the U.S. More important, the exports of U.S.-based firms to Japan are understated, since many ship directly to Japan from their assembly and testing facilities in the Far East.

Second, once components are assembled into products, they move into a different set of statistics. That is, an integrated circuit exported to South Korea may be assembled into a computer terminal that is shipped to the U.S., or a Japanese memory chip imported to the U.S. may be re-exported as part of a microcomputer. Terminals and computers, of course, are reported in other sections of the tariff schedule.

Third, these figures describe the country of origin and receipt of the product, not the nationality of the ownership of the firm. Nearly all Malaysian chip exports, for instance, are from U.S.-owned firms. A small, but growing number of Japanese exporters are subsidiaries of American firms. And several new "American" chipmakers are merely arms of foreign corporations, such as the major South Korean industrial groups.

Top Trading Partners, 1983
(US\$ Millions)

Country	Exports	Imports
Malaysia	991	1,122
Philippines	557	644
Singapore	390	520
South Korea	385	513
Japan	261	918
Worldwide	4,366	4,949

Source: "Summary of Trade and Tariff Information: Semiconductors," U.S. International Trade Commission Publication 841, Control No. 6-5-22(Supp.), August, 1984

PRINTED CIRCUITS

The heart of most high-tech electronic equipment is the printed circuit board, a flat piece of laminated insulator, plated with metallic pattern, into which chips, resistors, and other components are inserted. Because few PC Boards are found on the retail market, that segment of the electronics industry which produces them has a particularly low profile.

The PC Board industry is made up of two segments: *Fabrication* is essentially an electroplating process. *Insertion*, or stuffing, is generally labor intensive assembly. Nationally, a little more than half the market for fabricated PC boards is met by independent suppliers.

Frost & Sullivan market researchers estimate that the 1983 U.S. PC Board (fabrication) market totalled \$3,530 million. Military/Aerospace users accounted for 23% of that market. ("The Printed Circuit Board Market in the U.S.," 1984)

Production is dispersed among a large number of firms. The top 26 producers accounted for only about 41% of the market. The two largest producers, IBM and AT&T Technologies (Western Electric), supplied 7.7% and 6.4% of the total, respectively, primarily for consumption in house. The largest independent supplier, Hadco Printed Circuits, ranked third with only 2.3%.

Printed circuit board assembly is even less concentrated than fabrication. It takes very little capital or technology to enter the business. In fact, most of the illegal "cottage industry" production associated with high technology industry today is circuit stuffing. Anyone can stuff circuits into boards in her living room, although automatic insertion equipment does the work at many large firms.

The PC-Board sub-industry, characterized by a large number of small, financially weak companies, has environmental and labor relations records which would surprise most consumers of the high-tech products that it helps make. As we have reported before in this newsletter, numerous PC board fabricators have pumped quantities of heavy metals and

other toxic wastes directly into sewage systems, while assembly firms have the worst pay and conditions in the domestic electronics industry. It is not surprising that most immigration raids at electronics firms are conducted at PC board subcontractors.

Because neither fabrication nor stuffing show up as specific items in trade, labor, or production statistics, there is no good data on the number of people working in this industry either in the U.S. or among U.S. subsidiaries and suppliers abroad. We estimate that there are more than 11,000 people in Silicon Valley working for legal printed circuit board suppliers and subcontractors, as well as perhaps a few thousand more illegally stuffing boards at home.

PHILIPPINE DEATHS

The Committee for Asian Women (CAW *Asian Women Workers' Newsletter*, August, 1984) charges that two women working in the Philippines semiconductor industry have died of job-related illnesses in the past two years. CAW says that Elfreda Castella, a tin-dip operator at Filipino-owned assembly subcontractor Dynetics, died in November, 1982 of "cancer of the lymph nodes with leukemic transformation." She spent three years soaking chips in pots of chemicals to rustproof and strengthen the circuits.

CAW reports that Bernadita Encela, an "oven girl" at Silicon Technology (STI), another locally owned subcontractor, died of "typhoid fever complicated by pneumonia" in June, 1984. CAW charges, "Medical experts comment that circumstances surrounding her death show that Encela acquired the illness as company worker."

We are hesitant to conclude, based upon the limited information presented in CAW's newsletter, that these two particular women died directly as a result of their work. But we do agree that workers' health, in the U.S. as well as the Far East, deserves more attention from the creative minds who lead the semiconductor industry.

SPYING IN SWEDEN

High-tech companies are no stranger to espionage conducted by Eastern Bloc nations as a shortcut to technological innovation, but Swedish firms are becoming increasingly concerned about industrial espionage from the West, as well. This economically motivated spying is reportedly being carried out by national intelligence agencies, not merely by private companies.

In the past, the biggest security problem for Swedish firms was that competitors were recruiting key people. Rolf Dolk, security Director for Saab-Scania, told *Ny Teknik* (October 6, 1983), "In the future we can count on much more diverse methods. If there is a government intelligence agency assigned to civilian industry, we can no longer hope for a single secure telephone, teleprinter, or telfax. Also, already vulnerable computer communications will become even more risky from a secrecy standpoint. Furthermore, it is not customary for intelligence organizations to pay people to leave their positions, but instead pay them to stay as informers as long as is possible."

HAVE CHIPS, WILL TRAVEL

Despite a recently announced Western bloc accord opening up exports of microcomputers to the Soviet bloc, the U.S. still restricts the transport of personal computers and their technology. *Aviation Week* (September 24, 1984) reports, "Travelers who depart the U.S. with a programmable computer, software, or technical plans valued at more than \$1,000 must have a validated export license from the Commerce Dept. . . . These restraints apply to business and professional travelers, although in some instances they can carry computer equipment for personal use in their work with a general license. Inexpensive hand calculators and dedicated games such as the Atari series do not have to be licensed, a Commerce Dept. official said, but replacement parts for such items might require a license."

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