

MR. SCALISE: Thanks, Commissioner. I am George Scalise, president of the Semiconductor Industry Association, and I'm pleased to be here today.

The semiconductor industry is a major exporter, and very much involved in international trade. It's an important component of our success. We're actively involved and have had a lot of history dealing with issues that will promote free, fair, open trade in all markets around the world.

The industry employs about 276,000 people here in the U.S. and its presence is widespread. We have facilities in about 35 states across the country. They are typically high paying jobs. This goes back to some of the discussion in the last session. The average wage in the industry is about \$55,000. That's the average wage, which is about twice the average for industry overall.

Semiconductors are becoming increasingly pervasive. They're in every aspect of our life today, and without them, we wouldn't have a number of the technologies, equipment and new opportunities that exist.

Today, the growth of the U.S. industry provides employment for about 4.8 million Americans in all parts of the electronic sector. So, there's a multiplying effect associated with it. In fact, I

guess you could say .com, were it not for semiconductors, would be a typo.

Behind this enormous success is an ever-shrinking transistor. Forty years ago when I first got started in this business we could make one transistor on a chip of silicon. Ten years ago we could put about a thousand on a chip. Today we could put a couple million on the same piece of real estate. That's what the technology is doing. It is providing opportunities to bring new products and new services to the world at large and as a consequence benefiting all the consumers around the world.

Moore's Law, which basically says we can double the complexity of a chip every 18 months, is the driving force behind this, and the driving force behind Moore's law is the continued investment in research and development both at the university level as well as within the companies.

The industry grows at about 17 percent a year as a consequence of this combination of technology moving forward, production capacity improving and cost per function decreasing 30 percent per year. There aren't many industries in the world where we continue to add functionality and decrease cost year in and year out.

Today we build about 17 million transistors for every man, woman and child on earth every year. That's growing at about 55 percent a year. If you do the arithmetic you'll find that by the year 2008 we'll be producing one billion transistors for every man, woman and child on earth every year. You can just imagine what that can translate to in terms of the opportunity for learning, for health care, for communications. You can go on down the list. E-commerce and so on.

National trade is tremendously important to the semiconductor industry. Over half of our sales are outside the U.S., about 25 percent of the sales go to Europe, about 20 percent to Asia Pacific. The Asia Pacific consumption goes largely into manufacturing products that get distributed around the world. And about nine percent is going into Japan. When I talk about U.S. sales I'm talking about U.S. capital affiliated companies wherever they happen to be manufacturing, that's our definition of U.S. sales.

We currently enjoy a market share in this industry of about 53 percent. This was in great jeopardy some years ago, due to predatory practices that had to be stopped if we were going to avoid the pitfalls that occurred in the consumer industry in the early '70s, late '60s. But we lost our lead in market

share to Japan. Through a reasonable application of a set of principals we were able to regain the lead in worldwide share in about 1993. As I say today we have 53 percent of the market. Japan now has about 25 percent of that market. So, we're two to one over their market share.

As far as trade policies, we have a number of recommendations that we think are important. First of all, with regard to information technology agreement, we believe that the central element of any new WTO round of negotiations must have continued attention to industrial tariff elimination by all WTO members. The U.S. semiconductor industry has been at the forefront of efforts to eliminate tariffs on semiconductors and related products since the early years of the association.

A clear goal for any new WTO negotiation would be to have ITA participation mandatory for all WTO member countries. Elimination of tariffs will allow U.S. producers to sell advanced semiconductors and other electronic equipment at the lowest possible prices, thereby increasing U.S. exports for all industries.

With regard to electronic commerce we support the U.S. efforts to urge WTO members to continue the current practice with respect to tariff

treatment of electronic commerce. No WTO member considers electronic transmissions as importations, and consequently, no member imposes customs duties on those transmissions. We think it's important than given the increased importance of electronic commerce that we should maintain that position.

With regard to anti-dumping, all the proposals currently before the WTO with respect to anti-dumping call for significant weakening of the ability of industries both in the United States and abroad to use their national dumping laws to offset the injurious, unfair trade practices of other countries. This is important to the semiconductor industry because we've gone through a history of predatory practices, especially when the companies in the U.S. were very small, facing very large, vertically integrated companies that were backed by their banks and their governments, particularly in Japan. It not only created great havoc within the industry, it drove a number of companies out of the business before we were able to address that effectively.

Anti-dumping laws, we believe, have been dealt with fairly and equitably in the last round of the WTO. We think that that regime that's in place now is the one that should remain.

On competition policy -- a number of countries are seeking to add competition policy to the agenda for the new WTO round. This seemingly innocuous proposal raises serious concerns because competition policy has been used by some countries to attack the anti-dumping law, and it's likely to happen again. Therefore, it's our position that competition policy should be set aside and studied a lot more carefully than it has been up to this point.

Foreign sales corporation is another issue that we think needs to be addresses -- a regulation that needs to be maintained because it does offset the GAT opportunities that our foreign competitors have. So we need to have something that's going to work at least on equal basis with a foreign competitor. They get rid of the GAT, we don't need the FIC.

We continue to support China's bid to join the WTO. We learned this morning that the U.S.-China agreement now been concluded. We spent a great deal of time with the negotiators on the issues that we think are important. I won't go into that today unless you want to ask questions about it. We have a fairly well defined set of conditions that must be incorporated if China is to accord into WTO on a commercially viable basis.

Finally, on export controls I think it's important that we maintain export controls as it relates to national security. However -- however, overall, we need to have an export control regime in place that allows for the flow of technology that goes to mass markets to be the determining factor in how we decide what it is that we need to control or should control as opposed to just some random set of numbers that come out of a system that is always overburdened by and overtaken by the technology as it moves forward.

Let me stop there. I have a number of other points I'd like to deal with. I think in the interest of time I'll wait until we go to the Q&A, and I'll let Mike take over.

COMMISSIONER KRUEGER: Thank you very much.

Mr. Maibach.