

# Scotland: "Silicon Glen" hit as Motorola sheds 26,000 jobs worldwide

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The 26,000 job losses announced at the end of last year by US-based Motorola Inc. gives an initial indication of the social impact of both the US economic recession, and the general crisis of overproduction in the telecommunications industry.

Around 147,000 workers depend on Motorola for their livelihood. The company is at the forefront in many areas of communications technology—mobile phones, broadband connections and cable modems, satellite communications, Internet telephony and interactive digital video.

Since last December, Motorola has closed factories in Harvard, Illinois, pulled out of Florida, closed operations in India, cut 750 jobs in Dublin, Ireland and reduced its workforce by 1,000 in Swindon, England. The company has also cut jobs at its mobile phone plant at Flensburg, Germany. The latest episode in Motorola's attempts to revive its profitability at the expense of its workforce is the imminent decision to close, or radically curtail operations at its mobile phone production plant at Livingston, Scotland.

The market for mobile phones is saturated, with a market of 450 million units last year drastically down from Motorola's prediction of 575 million. Earlier this year Swedish owned competitor Ericsson announced 11,000 job cuts, losing out, like Motorola to Finland's Nokia in a stagnant market.

At the same time, world demand for semi-conductors, one of the company's other core products, is such that according to Motorola leading executives, the industry "is experiencing its sharpest downturn in history as a result of high component inventories for most customers and lower consumer demand."

The company, whose share price has fallen more than 75 percent over the past year, an eight-year low, is also reported to have liquidity problems. Last Friday, the

company announced that new investment would be reduced from \$4.1 billion to \$1.4 billion next year, to try and turn around last quarter operating losses of \$206 million. Last quarter revenue was down 11 percent to \$7.75 billion, from \$8.75 billion a year ago. According to statistics on its own website, the annual rate of return on investment has plummeted from 15.2 percent in 1999 to just 3.7 percent in the first quarter of 2001. In the end, the company may be forced to sell an entire division.

It was only three years ago, in 1998, when the semi-conductor industry was last wracked by problems of over-production. Motorola owns one of the most eloquent testaments to that period—the giant Hyundai chip assembly plant in Dunfermline, Scotland. At the time, it was the largest single foreign direct investment project in history, but it never opened. Hyundai stopped work following the 1997 Asian financial crisis, and the slump in semi-conductor sales that followed. Motorola took it over, and the plant remains idle.

Motorola may also be damaged by the escalating tensions between the US and China. The company is the largest mobile phone producer in China, earning \$4 billion in sales and having 18 R&D facilities situated there. A plan to build an advanced semi-conductor plant in Tianjin was delayed because of US export restrictions of advanced technology to China.

News of the possible shutting down of the Livingston factory has provoked a flurry of interventions from British political leaders, attempting to delay the closure, or to encourage Motorola to close another plant somewhere else in the world. Press speculation focussed on the Flensburg plant in Germany as a likely candidate. Prime Minister Tony Blair telephoned the head of Motorola, Chris Galvin, reportedly to complain about the announcement's timing—just weeks before the

British general election. Scottish Enterprise Minister Wendy Alexander was initially refused an interview with any Motorola officials. Latterly, Alexander, and First Minister Henry MacLeish were both in the US for the "Tartan Day" jamboree, where the Scottish politicians clamoured for American investment while celebrating Scottish nationalism.

Increasingly, however, the Scottish Executive is losing the battle to attract hi-tech assembly operations. Last week, PC producer Compaq announced its intention to cut 700 jobs at its Scottish plant in Erskine—the work being redirected to lower waged Poland. Doubts are also being raised about the viability of a National Panasonic plant near East Kilbride, owned by troubled Japanese company Matsushita Electric Industrial.

The Motorola crisis will not be resolved by the investment perks being proffered by the Scottish Executive or the local investment agencies around "Silicon Glen"—the term for the concentration of assembly operations built up over the last 30 years in the Scottish central belt. The scale of Motorola's difficulties is such that no amount of investment special offers can overcome its financial calamity or compete with the vastly lower wages, which Motorola can exploit in other areas of the globe.

Instead the Scottish Executive and investment agencies are arguing for Scotland to become the operational base for trans-European operations, as is increasingly the case with the giant IBM plant at Greenock, near Glasgow. They are also hoping to attract new projects, which can better take advantage of the Scottish education and research infrastructure. To what extent this will be successful remains to be seen, but the Executive foresee a far lower proportion of assembly work being carried.

According to Alexander, "The Scottish economy needs to move on and play in different ways. The traditional inward investment that we have sought is no longer available to us because there is always going to be somebody who is going to competitively undercut us."

The Executive is acknowledging that many thousands of hi-tech assembly workers will lose their jobs over the next period. At present, "Silicon Glen" employs around 41,000, with another 30,000 in ancillary industries.

The end of the bitter Thatcher legacy, in which Britain's regions have been able to exploit the low wage and deregulated economy she implemented to attract corporations anxious to enter the European markets, will have dramatic social and political repercussions. For two decades British capitalism has been able to offset the collapse of traditional engineering industries by attracting high-tech assembly operations. Investment policy has directed these to regions such as Scotland, Wales, North and South West England, where local officialdom has best organised itself to appeal directly to the transnationals.

The imminent accession of several Eastern European countries to the European Union, and their ongoing integration into the European economy, creates a new cheap labour periphery. The British regions can only compete through further driving down living standards, or throwing their existing workforces onto the unemployment lines.



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