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India Takes Economic Spotlight, and Critics Are Unkind

By AMY WALDMAN

BOMBAY, March 2 — India has finally arrived on the global economic scene. Unfortunately, like a debutante suddenly told she is wearing the wrong dress, it is not exactly the triumph India imagined.

In recent weeks, the outsourcing of white-collar service jobs to places like this financial capital on the Arabian Sea has become the focus of the American presidential campaign, the brunt of jokes on late-night shows, the subject of angry Web sites, and the target of legislation in more than 20 states and Washington.

Long caricatured in many American minds as home only to snake charmers and poor people, India is now being caricatured as a nation of predatory brains set on stealing American jobs.

The strong reaction to the shifting of jobs is spawning frustration in India, a country the United States was cheering not so long ago as it began to open a largely socialist, closed economy and enter the global arena. It is also surfacing as a potential irritant in relations between the countries. Indians say they are doing exactly what the United States wanted, and bridle at the new criticism as a double standard.

"The U.S. is propagating capitalism — we don't really understand why they are so scared," said Ravi Shankar, 36, an employee of Tata Consultancy Services, India's largest technology services company. "If you're going to talk about competition, you should have no fear — may the best man win."

But now India's pride has become America's pain. Over the last decade, riding technology advances, India's engineers and English-speaking college graduates have been taking on more work — from credit-card complaints to software programming to research for American companies half a world away.

The uproar over outsourcing shows no signs of abating, because outsourcing itself is only likely to grow. India's success has both contributed to and coincided with stagnating employment in the United States. Both countries face elections this year. As a result, an issue that would largely be confined to corporate America has become politicized and

emotional. "India has joined the ranks of other big job thieves — Japan, China and Mexico," the Indian magazine Outlook wrote this week, citing a "barely concealed racism" in Internet debates. Senator John Kerry, the likely Democratic nominee for president, has called chief executives who shift work abroad "Benedict Arnolds."

"Whenever such issues are taken up in competitive politics, the economy suffers," said Arun Shourie, India's minister for disinvestment, communications and information technology. He has spent the last two years fighting to privatize India's bloated state-owned enterprises, facing fierce political opposition along the way.

Indeed, the furor in the United States is highlighting India's own ambivalence toward the economic reforms that began here in the early 1990's. The competitiveness of India's new industries stands in sharp contrast to the high tariffs and red tape that still shelter many other parts of the economy.

American officials have repeatedly expressed frustration at the relatively low level of American imports to India. While total exports from American companies to India grew to \$4.1 billion in 2002 from \$2.5 billion in 1990, the United States still has a trade deficit of about \$9 billion with India. On a visit to New Delhi in February, United States Trade Representative Robert B. Zoellick cited India's high tariffs — like a 38 percent applied agriculture tariff, which is three times as much as America's. "We want to keep our markets open," he said, "but to do so we need to be able to open markets abroad."

His comments were interpreted here as evidence that the Bush administration would seek to use the reaction toward India as a lever to pry open wider India's economy.

Mr. Shourie said that when India finally opened its agriculture markets, it would affect "millions of people" — far more than are being affected by India's success in information technology. "If the United States feels we must understand their political compulsions," he asked, "why is it that American politicians or trade negotiators sitting at the table would not understand our political difficulties?"

He worries, he said, that the reaction in the United States will strengthen the opponents of India's own economic reforms. "It gives a very strong handle to persons in India who oppose opening up," he said.

Indians say that the beneficiaries of outsourcing are far fewer than Americans realize. Well under a million people work in information technology services. Most of India's population of more than a billion, still largely rural, has never heard of outsourcing or benefited from it. Unemployment in India — far higher than in the United States — is at its highest level in decades, many economists say. Officially pegged at 7 percent, with more than 40 million registered job seekers last year, the real unemployment rate is probably three times that, economists say.

Vivek Paul, vice chairman of the Bangalore-based Wipro Technologies, calls it "perceptual amplification."

"If three million jobs have been lost in the U.S., and 100,000 jobs created in India, every one of those three million thinks, 'That's my job,' " he said.

The danger is that anger in the United States will affect relations with India that otherwise have only deepened in recent decades. There are nearly two million Indian-Americans in the United States today — with the highest income of any ethnic group — and India is the second largest country for legal migration to the United States, after Mexico.

The United States now has more foreign students from India — more than 70,000 — than from any other country, and the information technology industry itself seems to represent a sort of synergy, with many Indians working in Silicon Valley, and innovation flowing both ways.

That spirit is showing strains. While Indian officials have decided that their best strategy is to let American corporations fight the political battle in the United States, they cannot resist the occasional rhetorical flare-up. "Those who lecture about free trade," Mr. Shourie said, "should practice it."

But not everyone here cheers India's new identity as what Babu P. Ramesh, writing in the Economic and Political Weekly, called "one of the prominent electronic housekeepers to the world." Indians say they face the same forces churning the American job market. As the use of information technology increases here, so, too, will the labor displacement that America has experienced. And over time, many of the jobs that have come to India could move on. As new competition emerges from other countries, Mr. Paul of Wipro said, "we'll have to swallow the same medicine of globalization."