

ForIT

Forum of IT Professionals

Outsourcing : Uphold Indian interest

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The Ohio state's ban on outsourcing and the Anti-Outsourcing Bill brought for voting in the US senate have raised concerns among the IT and ITES industry in our country. There was a sigh of relief expressed by those employed in the industry, industry captains and the media at large after the defeat of the Anti-Outsourcing Bill. The analysts and reports in the media have gone to the extent of terming the Anti-Outsourcing Bill as dead. Given the course of developments happening over the last one year, calling the bill to be dead would be premature. Doing so would be masking ourselves from seeing and paying a deaf ear to what is happening in the US, and consequently undermine the impact it is going to have on us. It is important to note that a significant portion of the educated workforce of our country is dependent on this sector and a large portion is aiming to be employed in the same. With more than four thousand engineering colleges in the country and a large number of undergraduate and post graduate courses in the country, the additional eligible work force will be nearing a few lakhs.

The Anti-Outsourcing Bill by Barack Obama administration is not the first blow on the Indian IT industry and the workforce associated and dependent on it. The notion was clear when the Border Security Bill was introduced and passed in the Senate. The bill whose intention they portray to be to strengthen the US-Mexico border enjoyed the support of both the Republicans and the Democrats when introduced in the senate. The objective is to raise \$600 million by increasing the visa fees on H-1B visas (for temporary skilled workers) for non-U.S. Companies. The visa fee would rise by approximately \$2,000 per application, as a result incurring a cost of \$200 million on the Indian IT companies. It is clear that one third of the requirement for US-Mexico border security is being raised by shifting the burden on the Indian IT. None would object to any nation's decision to strengthen its security along the border, however raising the visa fees for such a purpose from those coming from other nations reminds us of the fable in which the lamb is eaten away by the fox for drinking water downstream. Sequel to this bill was the introduction of the Anti-Outsourcing Bill in the senate. Though the bill has been defeated in the senate, the developments after the defeat are a matter of concern to one and all who are concerned about the IT industry and the the workforce associated with it.

The American media has been reporting news on the opposition to outsourcing being made by candidates in both Democrat and Republican parties. Both have launched a wave of new attacks accusing each other of helping to ship US jobs overseas. On the campaign trail and in television advertisements ahead of November 2 elections, dozens of Democrats have charged that the Republicans support for free-trade deals and tax breaks for corporations has cleared the way for the migration of US jobs to foreign countries. The Republicans have countered these with their advertisements in 10 House of Representatives districts accusing Democrats of sponsoring jobs overseas by backing tax breaks for clean energy that mostly went to foreign companies in the \$814 billion stimulus bill.

In the run-up to elections to the US Congress in November, President Barack Obama has also raised the pitch against outsourcing. With the crucial elections looming, the biggest worry for the U.S. Administration led by Obama is the more lauded economic stimulus Bill passed last year which has not prevented the unemployment rate rising above 10 percent. Obama hence should strive to rectify the situation, otherwise the Democrats will likely suffer at the hands of the electorate. Thus for the Republicans — who if in power would surely be contemplating similar anti-outsourcing legislation to appease angry voters seeing jobs flourish in Bangalore, Hyderabad, Chennai, Delhi and other metros in India instead of Baltimore — the goal is to show Obama and the

Democrats as an incapable party, unable to govern and unable to fix the problems. The Senate voted 53-45 for the bill, far short of the 60 votes needed to break a filibuster, with four Democrats crossing the aisle. Democrats portrayed the Republicans as “job-killers” afterwards, while the Republicans play the patriot card far more often than their opponents Democrats. One could infer from this that it wasn’t just all about jobs, it was also about politics. American political analysts see a compromise after November, when the dust settles. Under the pretext of a public demand for a compromise to improve the economy both the parties would jump up to clear the Outsourcing Bill and get it implemented either directly or through back door. This would mean granting of more American jobs at the expense of those elsewhere, most likely in India. Prior to this bill being defeated in the senate, the state of Ohio had already banned outsourcing. The American federal structure permits such a ban. The Commerce Clause in the Constitution of United States of America doesn't necessarily stop the states from taking their own decisions. The Tenth Amendment to the Constitution in the last two decades has been a subject of interpretation. The Tenth Amendment states that the federal government has only the powers specifically delegated to it by the Constitution. Other powers are reserved to the states, or to the people. The Commerce Clause considered to be an important source of those powers delegated to Congress, and therefore its interpretation is very important in determining the scope of federal power in controlling innumerable aspects of America. Hence one could infer that US and its political parties need not have another row of the bill being presented in the senate for clearance. The method of implementing it in some states would be sufficient for businesses and the workforce associated with it to suffer in India. From the data cited in <http://www.census.gov/foreign-trade/statistics/state/data/index.html> 25 states contribute to 95.8% of the complete outsourcing in United States. This is not the first time that a state like Ohio has taken such measures. Ohio is only a new entrant in what could be called as a growing trend: states such as New Jersey and Virginia have taken similar steps earlier. Of these 25 states, 16 states have governors representing the Democrats and others the Republicans. While the governor of the state of Ohio, Ted Strickland is a Democrat, the governor of New Jersey, Chris Christie and that of Virginia, Bob Mc Donnell are Republicans.

Even till date the Indian IT's dependence has been on the US clientele. One could boast of the rise of the Indian market outside US being a large portion in comparison to the previous years, it doesn't mean that this growth has been despite of the current continuing projects dependent on US. Reports in the American media confirm that the American corporations (Intel, IBM and more) have been lobbying for tax concessions to those generating jobs in the US. Obama's statement, “We will restore a sense of fairness and balance to our tax code by finally ending the tax breaks for corporations that ship our jobs overseas” hints us with the understanding of what the trajectory is going to be. Any furthering of such decisions in different states of United States will certainly have a devastating impact on our economy and the industry. The consistent usage of the phrase in the American media in calling the ban on outsourcing as an “emerging trend” will have to be taken seriously.

The measures taken by the United States are completely contrary to what its prescription has been to all the nations. On the one hand it has been posing to have implemented the free market systems and forcing all the nations to bring in legislations favouring free market economy and on the other hand itself resorting to protectionist measures. It has defined globalisation and also the institutions to suit to the requirements of market economy. The silence of the propagandists of such theories, the Friedmanite philosophers, makes it clear that it is a prescription that is not in the interest of a sustainable development and neither for the US too. US which was championing such a cause till 2007 has resorted to protectionism to protect its interests in the background of the global financial crisis. One of the important aspects in the agenda of Obama during his visit is the removal of the meagre protection that is being provided to the Indian farmer, by lifting the ban on the import of US

farm produce.

The US prescription to the Latin America has been similar to what is being attempted to in India. In the early 80's the whole of Latin America moved forward with the American way of globalisation. The initial period involved industrialising the nations to an extent and was followed by plunder and loot of the economies. Any country that has shown at least some marginal opposition to such measures was subjected to a row of events that led to the instability in the nations. The complete natural resources have been controlled and taken over by the American corporations. It is after a great suffering that they are now restoring back to an indigenous, stable path of development with mutual global co-operation.

The remarks by the Ohio governor made after passing the order are even more demeaning. Ted Strickland in his executive order stated, "There are pervasive service delivery problems with offshore providers, including dissatisfaction with the quality of their services and with the fact that services are being provided offshore,..." With all its propaganada for a free market economy and globalisation, one would have lauded at least if it would have allowed the free movement of workforce which is being termed as globalisation of labour . It would be ridiculous to debate on the quality of software services provided in India which is an outcome of the young, challenging and efficient workforce here.

From all these developments anyone who would demand a sustainable and stable development in the interest of the country will have to look for a way out. The leader of the employers association whose members will be largely affected, NASSCOM, has not asserted its position in the interest of the nation. It needs to be firm and should exert more pressure on the Government of India to win the debate to our side.

To deal with the situation we have two options, to fight it out in the WTO or take it up with the US bilaterally. To take it up in the WTO, the Agreement on Government Procurement (GPA) is the only legally binding agreement in setting fair rules for public purchases. This is in operation since January 1996. The GPA is a plurilateral treaty that includes only some members of the World Trade Organisation (WTO) and India remained out of it. India has kept out of the multilateral agreement on public procurement, which makes it tough to contest in the WTO. India became an "observer" member of the GPA in February 2010. Even if we want to become a full-fledged member, it would take a long time, since not even the negotiations have started.

The seemingly possible way is to sort this issue out bilaterally during Obama's visit scheduled in November. How serious our government is on the issue is a matter of concern for all the stakeholders. The Indian government is busy packing a set of goodies for Obama to carry back to the US in his return. The kind of deals Obama will sign in India is said to provide a major boost to the US economy. The government is gearing up to sign up deals and gift US with Indian tax payers money.

The Indian newspaper reports state that US would be a beneficiary with a deal worth 60,000 crores of rupees. A nearly \$6 billion deal on the defence front to procure 10 C17 Globemaster III heavy transport aircraft, C130 transport aircraft and adding four more to the current fleet of P8I maritime reconnaissance aircraft, which is worth \$1.1 billion. Indian Railways is going to give away a project to build locomotives worth 30,000-crores of rupees. Another important aspect in the visit is Obama lobbying to get the restrictions off on the import of American farm products in India. With more than two lakh farmer suicides in the nation, officially confirmed by the government, this move shall prove devastating to the 70% of the population dependent on agriculture. Apart from these goodies, the US universities make nearly US \$14 billion annually in terms of fees from around 200,000 Indian students who go to US to pursue higher education. So, in the whole of the process, it is not India that has been beneficiary of globalisation but the global corporations with most of the bases in

the US who are larger beneficiaries.

Obama's visit should be used as an opportunity by our government to make significant gains in the interest of the nation. The government of India at this point of time should not bow down to the pressures from US, rather mount pressure to stop the ban on outsourcing. As each nation is also planning for its own recovery pattern, it is high time that the Government of India comes out with a concrete agenda with a proposal of IT for Indian development. It should be a comprehensive development approach so as to generate employment that would not be rocked by external turbulences while simultaneously taking forward the fruits of IT to the last mile. Ours is the fourth largest economy, very close to that of Japan. While dealing with the US one should keep in mind that we are in 2010 and not 1990. The world has moved away from the dependency on technology from US.

The dual stand of the US should be understood and pressure on the Government of India has to mounted in all forms so as not be a loser during Obama's visit. We appeal to all patriotic citizens of this country, industry associations, stake holders, the workforce, organisations, civil society, political parties and people from all walks of life to intervene in all forms possible in safeguarding the interest of the nation.

How could you participate??

- Mark your concern to the Government of India by Signing the petition (<http://forit.in/petition>)
- Write a mail/email to the Government of India
- Share this idea with your friends/colleagues and others.
- Make a poster and send it accross.
- Distribute copies of the article.
- Make a reference in the microblogging and social networking sites.