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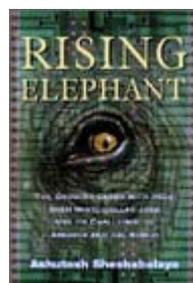
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## Excerpts



## Rising Elephant: The Growing Clash with India Over White Collar Jobs and Its Challenge to America and the World

Ashutosh Sheshabalaya  
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### *Introduction: Leviathan's Veil Eight Myths Which Conceal The Rising Elephant*

India accounts for 60 percent of the offshore white-collar jobs market. Its presence in the growing pool of high-value jobs leaving America-and, crucially, not being created there-seems set to accelerate.

In spite of some obvious differences in this exodus compared to its more familiar blue-collar counterpart, two facts demand especially close examination. Though masked by the frenzy of the dotcom boom, white-collar jobs have been relocating to India for well over a decade, and today's strong pull from there is both follow-up and consolidation. Secondly, such jobs do not simply concern call centers; in India, in particular, they have ended up, as we shall see, with Indians designing integrated circuits, wireless solutions, composite materials, genetic engineering tools, luxury cars, jet engines and complex econometric models; others are now probing still-newer areas such as filing tax-returns, interpreting MRI scans and researching Wall Street firms.

Several such jobs will not return because fewer Americans are being hired for them, and fewer still will choose to study in these areas in the future. In addition, the Indian challenge to technology jobs has deep roots. The incentives for such a shift are not going to disappear, with or without Western economic recovery, or a few upticks in hiring; instead, they are likely to strengthen with time. As a result, entire chunks of the Western economic system may be eroding at a faster pace than few believed possible only a few years ago. In brief, this is the unexpected, flip side of 'globalization.' It is no more just Nike shoes and Disney toys being made in Mexico or Southeast Asia. It is also high-value, technology jobs-both current and future-moving out in droves, and doing so to giants like India and China, who not only 'pull' Western jobs from much stronger foundations than before, but are building up systemic dependencies on continuing to do so.

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Even as the story of white-collar job losses rages across headlines in the U.S. and elsewhere, what is missed may be more than half the story: India, whose content-oriented culture stands in sharp contrast to the West's obsession with form, has been quietly leveraging its fast-emerging strengths to position itself on the road to world power status—economically, technologically, militarily. Few have cared to look behind the trees of the globalizing forest at the awakening Elephant, or heard it stir. Revealing the details of this story drives the theme of this book.

The key question now is what it will take to bring Americans up to speed on a problem that threatens their livelihoods and, in the longer term, America's predominant position in the world? The answers are neither easy nor straightforward. Instead, they are enmeshed in a complex set of new equations focused on India and China, but especially India. Understanding the Indian specificities central to white-collar job relocation is a categorical imperative to cope with its challenges.

It should by now be clear why India scrupulously ignored self-serving Little Brother platitudes from a galaxy of Western pundits in the 1980s and 1990s, to follow faithfully in the footsteps of southeast Asia's now-faded economic darlings. Instead, rather like Wal-Mart, it contributed a wholly unique combination of volume and value, skills and scale, to commodify the New Economy. Accompanied by an equally systematic and strengthening assault on its higher-skill frontiers, India is showing that the broader Western advantage may not last forever.

Although hardly a Big Bang, only the naive would believe that India will not acquire a much bigger slice out of the next New Economy, whatever be its shape, as indicated by the mass of examples discussed in this book. Whether it takes one, three or five decades to become manifest, India's rise will erode the foundations of Western supremacy.

And yet, by no means should India's ascension entail an inevitable hard landing for everyone in the West hit by the process.

The impact of relocation will be less than pessimists fear, but more than Western optimists hope. The final chapter offers some clues to solutions for victims of such a historical tide. Before this, however, much needs to be understood.

So far, eight myths stand in the way of Americans' (and Europeans') ability to grasp what is happening to them—and what to do about it. Each is in turn examined in detail in the book.

### **Myth I**

***This new sucking sound is an echo of the previous round. Americans have to somehow ride it out.***

Fact: Several New Economy jobs seemed to be in massively short supply

as recently as mid-2000. As examples in this book establish, no one knows what may replace them and in what numbers, within a still-hypothetical New, New Economy. More worrying is the apprehension that there is almost no ceiling to the kind (or number) of Western jobs which can eventually be done offshore, at lower cost, even in the next New Economy.

### **Myth II**

#### ***Relocation of white-collar jobs began after the dotcom bust and downturn.***

Fact: Relocation began in a significant way in the early 1990s, although it was masked by both the frenzy of the Silicon Valley boom and the intangibility of technology services. Few Americans, for example, know that their Saturday morning cartoons are developed by animators in India, or that the 'hidden hands' of Indians execute their Amazon.com book orders and lie embedded in the brain of their mobile telephones and X-Ray machines, and within the algorithms of their hi-fi sound systems. Unlike bathtub toys, shoes and made-in-China washing machines, India's colonizing of 'cyberspace' and seepage into Silicon Valley's 'marrow,' to quote BusinessWeek, are hardly visible on an everyday basis.

### **Myth III**

#### ***America's white-collar jobs will go to many places, and it does not really matter where.***

Fact: In reality, it is India (a billion-strong, stable and democratic country with a mature free market and 2 million university graduates a year) which is due to gain most-according to one widely-quoted forecast, equivalent to 800 American jobs every day until 2015; technology employment in the southern Indian city of Bangalore has already overtaken Silicon Valley. The process, as this book establishes, is connected intimately, and often invisibly, to the huge role Indians have long played within the heart of the American technology community, from the 'Father of the Pentium' to IBM's 'Patent King' and beyond.

Software exports alone account for over 3 percent of the Indian economy and are growing four times faster than gross domestic product. As India attains critical mass in offshore services, Western technology companies have become heavily dependent on the country. Meanwhile, the Indian IT industry's globalization is illustrated by a growing pace of acquisitions, large and small, in both the U.S. and Europe. Extrication from such a complex process of mutual lock-in will require much more than wishful thinking.

Singapore's Prime Minister Goh Chok Tong explains it simply: "China has become the world's factory floor, while India has become its IT and

back office."

#### **Myth IV**

***India is home to a low-end software coding industry.***

Fact: As discussed later, core software R&D in India by U.S. technology titans such as Hughes, Honeywell, Motorola, GE and Texas Instruments, began in some cases as far back as the 1980s, picking up massively onwards from the mid-1990s. In just two years since the process formally took shape, Indian R&D centers of American tech firms were filing more patents than Bell Labs. Both Indian IT companies and universities are investing massive sums of money to retain their intellectual property, and close last-mile gaps with the richer Western world. Since the mid-1990s, India also boasts a much-larger number of software facilities certified to the "gold standard" of the U.S. Defense Department-inspired CMM Capability Maturity Model, than America, Europe and the rest of the world combined.

#### **Myth V**

***India's success is easy to duplicate in other developing countries.***

Fact: By the year 2008, Indian software revenues are forecast to be larger than the entire economies of Chile, Nigeria or Pakistan. Such success in software is intimately coupled to very specifically-Indian contexts. No developing countries have either India's firstmover advantage in offshore services delivery, the advantages of a billion-strong population or its world-class educational and hightechnology support infrastructure. Accounting for these is imperative to understand the meaning of relocation, anticipate its impact and find ways around. In a different direction, given some of the breakthrough social-technology paradigms being set there, India, as explained later, may very well be paving the way for a New, New Third World Thing.

#### **Myth VI**

***India is like Japan-high impact on a few sectors but slight overall.***

Fact: As much as call-center jobs, high-value technology skills are also at risk. India's sweep of competencies has not only made relocation irreversible, but will result in its steady rise as a high-tech competitor to the U.S. Unlike Japan, or now, China, India's focus is a full sweep of high-value white-collar services rather than blue-collar manufacturing. On average, services account for four or more times the share of manufacturing in Western economies. In addition, the debate will be complicated by India's status as a poor, but nonetheless democratic country, with one of the world's fastest growing economies, a clear resolve to return to the ranks of great powers, and its own homegrown

but world-class multinational manufacturing firms (in areas such as steel, automobiles, energy and consumer goods); such companies, as we will see, have also begun rapidly emerging on both Western markets and elsewhere.

On another note, scholars such as American management guru Peter Drucker, have begun pointing to India's many intrinsic advantages vis-a-vis China, among them its high-technology lead, a superior higher education system and potentially world-class private sector. Others have raised disturbing questions about parallels between the Chinese economic miracle and 1990s Southeast Asia.

### **Myth VII**

***Pressure on India to stem the jobs drain would be straightforward, given it is poor and a geopolitical lightweight.***

Fact: India has the resolve, and is rapidly acquiring the capacity, to emerge as a major power. Its economy, in purchasing power terms, is already two and a half times the size of Russia and almost as large as France or the U.K. and Brazil combined. As borne out in reports by leading American think-tanks discussed in this book, from teraflop supercomputers and fast-breeder nuclear reactors to a fifth-generation combat jet, stealth warships, state-of-the-art remote-sensing satellites and two plus-tonne space launchers, India has some key qualitative superiorities in military high-technology compared to China, and is 10-15 years ahead of an otherwise-'similar' country like Brazil. Even as Western reliance on India's technology industry becomes critical, influential American commentators have urged the U.S. to actively support India's drive for world power status, arguing for example, for Indian permanent membership of the UN Security Council, in certain cases to replace old powers such as France.

### **Myth VIII**

***Such a seismic shift in power has no precedents, and may therefore be unsustainable.***

Fact: In contrast to America's relatively brief history, India and China go back many millennia, and their people think in long-term contexts. Many Indians, as shown in the book, see the country's leap to the frontlines of the Knowledge Economy vindicating its status in the 19th century as one of the world's richest countries, the source of mathematics and many sciences apparently only 'rediscovered' by the Europeans, but in the failed search for whose treasures, Columbus discovered America.

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