

Another voice/ Global economy

David Good: Bangalore vs. Buffalo: the outsourcing myth

By David Good
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The hope that the recession has bottomed out has encouraged Americans to think about what the post-recession economy will mean for employment. However, it is an unfortunate truth that foreign companies are a focus of frustration among individuals who believe that jobs are being shipped abroad.

This phobia was evidenced in May when President Obama characterized the U. S. tax code as encouraging lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York, feeding a belief that India is a culprit in luring away U. S. jobs.

While it's natural that scapegoats will be sought, the facts belie the myth of Indian outsourcing.

The Organization for International Investment estimates that foreign companies employ a total of 5 million Americans and pump \$364 billion a year into the economy. Likewise, a study by the Federation of Indian Chambers of Commerce and Industry says that during the past two years 143 cross-border acquisitions of U. S. assets by Indian companies took place, with a value of more than \$5 billion part of a global Indian binge that peaked in 2007 at nearly \$16 billion worldwide.

The fact is, Americans are sleeping in Indian-managed hotels such as the Pierre Hotel in New York City, which reopened after a \$100 million makeover by Taj Hotels. American farmers ride tractors assembled in Georgia and Texas by Mahindra & Mahindra. They use iron forgings made in Illinois by Bharat Forge and will buy sheet steel from Mumbai's Essar Steel, which soon will open in Minnesota. From Wyoming Soda Ash and Appalachia call centers to New York beer and Maryland-packed coffee, we are all the beneficiaries of Indian investments. Anyone who believes that Indian companies are only outsourcers is missing one of the most important economic developments of the 21st

century; Indian companies are investing in our economy, putting down roots in American communities and are contributing to U. S. development.

So vast is the change in the flow of capital that GM now turns a better profit from cars produced and sold in India than in the United States. When Ratan Tata recently said that his revolutionary small car, the Tata Nano, would be offered to Americans in two years, he was announcing the natural extension of long-term strategy.

Indian companies have for decades watched American corporations and learned valuable lessons. But India's emergence is no more a danger to the American worker than are Japan or Germany, both of which were once labeled as economic threats but are now considered partners and investors.

Indian companies do not steal American jobs. Rather, they create jobs in much the same way that American companies do, by investing in promising industries, growing markets and highly productive American workers.

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