

Fighting outsourcing 'could spark trade war'

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Any attempts by US politicians to stem the flow of jobs offshore could provoke retaliation from trading partners, a lobby group has warned

Feeling political pressure from Congress over the loss of US tech jobs to offshore workers, the Computer Systems Policy Project on Wednesday released a report stressing the need to keep international doors open so that domestic companies can remain competitive.

In its report, the organisation included preliminary policy recommendations for Congress to consider and it plans to have its members -- which include chief executives from Intel, Dell and Hewlett-Packard -- lobby lawmakers next month during the organisation's semi-annual meeting.

"Economic downturns and security issues spur impulses to protect specific sectors and markets and limit international trade and collaboration," the report stated. "Yet these measures often backfire. Countries that resort to protectionism end up hampering innovation and crippling their industries, which leads to lower economic growth and, ultimately, higher unemployment."

Congress has held several hearings about the outsourcing of IT jobs, and a group of lawmakers is urging India to create jobs for US workers.

Concern has grown as an increasing number of tech companies lay off domestic workers and move the work to countries such as India. Employees in call-centre support, manufacturing and software programming have been particularly hard hit.

While helping to cut costs, however, outsourcing is not without problems. Some customers are complaining about the quality and lack of service they receive from overseas call centres, and international operations can also be strained by misunderstandings due to culture and communications, as well as differing time zones.

"I would caution people from becoming too overly excited about offshore sourcing and [doing] things that they may later regret," said Amit Maheshwari, chief executive of i-Vantage, an outsourcing consultancy firm. "I have seen some companies close a full shop in the US and move it offshore, only to find it does not work for their particular situation."

And where the backlash can be particularly painful is when it hurts the quality of a company's product or service, said Maheshwari, noting that Dell recently moved some of its technical call centre support for its corporate accounts back to the United States.

Still, the trend shows now sign of reversing, and the IT trade group cautioned politicians against interfering.

"Any trade barriers created by the United States in an attempt to avoid global competition could lead to retaliation from our trading partners and even an all-out trade war -- resulting in a drag on the global economy and reduced employment here at home," the report stated.

The group also noted that under the current economic climate, customers of US tech companies are pressuring vendors to lower costs, offer more products and reduce the time it takes to get products into the market.

"US companies operate abroad to be close to global customers, both geographically and culturally, and to meet round-the-clock expectations for customer service," the report noted.

In its policy proposals, CSPP asked Congress not only to promote the IT industry's "innovation pipeline," but also to improve education and training for US workers.

"A growing number of workers in these foreign countries and companies are highly educated, skilled and talented -- a competitive challenge in their own right," the report said. "Americans who think that foreign workers are no match for US workers in knowledge, skills and creativity are mistaken."

<http://news.zdnet.co.uk/business/employment/0,39020648,39118956,00.htm>