

Stolen jobs?

The rules of free trade apply to services as well as goods

1 In America, in Britain, in Australia, an awful thought has gripped employees in the past six months or so: India may do for services what China already does for manufacturing. Any product can be made in China less expensively than in the rich countries. Is it merely a matter of time before any service that can be electronically transmitted is produced in India
5 more cheaply too ? As « offshoring » has spread from manufacturing to white-collar services, so the pressure on legislators to step in has increased.

Manufacturers have used overseas suppliers for years. But now, cheaper communications allow companies to move back-office tasks such as data entry, call centres and payroll processing to poorer countries. India has three huge attractions for companies : a large pool
10 of well-educated young workers, low wages and the English language. But plenty of other industrialising countries also handle back-office work. Moreover, given the pressure on costs in rich countries, offshore sourcing of services will grow : a study last year predicted that 3.3m American jobs (500,000 of them in IT) would move abroad by 2015. And the quality of outsourcing will improve. Many of the jibes at Indian outsourcing today - about
15 thick accents and unreliable technology - sound like the jeers at unreliable and ugly Japanese cars 30 years ago.

No wonder politicians are under pressure to discourage companies from sending service work abroad. To do so though, would be as self-defeating as stopping the purchase of goods or components abroad. For although the jobs killed by outsourcing abroad are easy
20 to spot, the benefits are less visible but even greater.

Like trade in goods, trade in services forces painful redistributions of employment. A study for the Institute for International Economics found that, in 1979-99, 69% of people who lost jobs as a result of cheap imports in sectors other than manufacturing found new work. But those figures are only for America with its flexible job market, and leave a large
25 minority who did not find new employment. Moreover, 55% of those who found new jobs did so at lower pay, and 25% took pay cuts of 30% or more. Some of the gains from free trade need to be used to ease the transition of workers into new jobs.

But those gains are substantial. Some arise simply from organising work in more effective ways. A fair part of the work that moves abroad represents an attempt by companies to Sp
30 provide a round-the-clock service, by making use of time zones. To that extent, offshoring directly improves efficiency.

In addition, a recent report on offshoring estimates that every dollar of costs the United States moves offshore brings America a net benefit of \$1.12 to \$ 1.14. Part of this arises because, as low value added jobs go abroad, labour and investment can switch to jobs that
35 generate more economic value. This is what has happened with manufacturing : employment has dwindled, but workers have moved into educational and health services where pay is higher (and conditions often more agreeable).

What of innovation though ? At present, most new products and services are developed in the rich world. Many Americans fear that all those bright young Chinese and Indians will

40 steal not just jobs but the rich world's precious skills.

To such fears are two answers. First, some innovation will undoubtedly move abroad, but the transfer may be slower and more modest than xenophobes fear. Second, innovation abroad makes everyone richer. The British once feared the rise of America's industrial might: today, both nations are vastly wealthier than they were. In services, as in goods,
45 trade brings benefits too great to refuse.

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Travail à faire par le candidat

I. Compréhension du texte (sur 40 points)

Answer the following questions by **using your own words**.

- 1/ What are India's assets as regards off shoring ?
- 2/ What do some people reproach India with as far as outsourcing is concerned ?
- 3/ What would be the consequence of a ban on outsourcing for industrialised countries ?
- 4/ What were the consequences of cheap imports in terms of employment and especially of salaries ?
- 5/ What do some companies do to improve their efficiency ?
- 6/ Why is offshoring eventually beneficial to the US ?
- 7/ What are Americans afraid of ?
- 8/ What do xenophobes fear?

II. Version (sur 30 points)

Translate the following passages :

- 1/ "In America, in Britain ..." (line 1) to " .. more cheaply too ?" (line 5)
- 2/ "Like trade in goods ..." (line 21) to " ...found new work." (line 23)
- 3/ "This is what has happened ..." (line 35) to "... more agreeable)." (line 37)

III. Expression (sur 30 points, 150 à 200 mots)

"Trade brings benefits too great to refuse." Discuss.