

Indian Cabinet  
Topic: Outsourcing



As the global economy sputters, traditional superpowers in manufacturing seem to be experiencing new and profound difficulties to maintain their supremacy and keep up with the plethora of emerging markets. Chief among these concerns is the growing trend of outsourcing jobs from these powers to markets like China and India. This new pattern among large corporations has been devastating to the employment numbers and public debt in places like the United States and the European Union, but the effect has been profound in a different way in India. Although both positive and negative ramifications have been felt, India has in large part been the benefactor of this western policy and has benefited the Indian economy tremendously.

Despite the gross values of outsourcing on the Indian economy, the benefits are extraordinarily narrow. In fact, data suggests an overwhelming percentage of all outsourcing resides in the IT sector. Since the free market system began to take hold all over the world, one of the principal characteristics of almost all healthy economies has been a diversified balance between industries. However, outsourcing has distorted that balance tremendously. India's IT sector now is in line to exceed \$132 Billion in net worth, while the healthcare industry in India is approaching \$280 billion. To put this in perspective, that puts the ratio of dollars in the IT sector to dollars in the healthcare sector at 47%, while in the United States, the world's biggest economy, the ratio falls to just 23%. Clearly, outsourcing has exasperated the growth of the IT sector to a point where it is threatening the balance of the Indian economy. In any economic situation, if one industry gets too large, it can threaten the stability of all others, and in this case, the inability to manufacture goods for the Indian citizenry.



However, it does seem as though in the larger picture, these potential draw backs are being sacrificed in exchange for increased employment and overall growth. After all, the point of economic expansion is to provide employment and livelihoods for average citizens, and outsourcing has done just that. At a time when almost every developed western country is dealing with unemployment rates over seven percent, and in many cases into double digits, India's lies at a very healthy 4.2 percent. This statistic is especially impressive considering the labor force needs to employ more people than any other nation, save China, to reach such a number. Typically, population explosions can have profoundly negative effects on an economy, but India has been able to cope with the growth by coupling it with outsourced jobs, an economic tool that is only at the disposal of a handful of nations around the globe. Additionally, while most of those same nations have public debt skyrocketing to almost 100 percent of national GDP, India's lies at a modest 52 percent. It seems as though, at least by the numbers, outsourcing has added much more to the economy than it has threatened to take away.

Finally, outsourcing looks to threaten the Indian economy in one more important way. Few would find it inconsequentially that the United States ranks first in two essential

categories. The Americans are both the in the number of jobs outsourced and in dollars traded with India. This is troubling because the American growing increasingly weak with every outsourced, and the weaker it gets the has to outsource and buying potential



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trade with India. It seems to be putting India on a vicious path, they are getting stronger while making the US weaker, yet they clearly rely on the United States to be making them strong in the first place. As well, this paradoxical trend is not exclusive to the relationship between India and the United States. In fact, right behind the United States in the number of jobs outsourced is the European Union, and India's 5<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> largest trading partners in Germany, the UK, Belgium, and the Netherlands are all Union members. Clearly, the economic pitfalls have not taken hold yet, India is still the world's fifth fastest growing economy, behind just Qatar,

Paraguay, Singapore, and Taiwan, but the outsourcing bubble could be poised to burst at any moment. India needs to be weary of the effect that their rise is having on the world's economy and needs to dually work to develop industries and growth that is authentically Indian. With the world's second largest populace that is poised to become the largest in just a few years, the man power and innovative potential is there, it just now becomes a matter of drafting public policy conducive to becoming a true economic power in the coming decades.