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## **Business**

## Who Wins and Who Loses as Jobs Move Overseas?

radical innovation" to create jobs.

problem. It's not the Chinas and Ja-

over, there are a lot of assumptions

over, there are a to to assumptions being made, especially by political leaders, that the rapid growth of Chi-nese exports and production is the smoking gun of the threat to tradi-tional sources of job creation. About two-thirds of the export growth Chi-

na has realized over the last 10 years has come from Chinese subsidiaries of multinational corporations head-

quartered in Japan, the U.S. and Europe and their joint venture part-

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By ERIKA KINETZ

The outsourcing of jobs to China and India is not new, but lately it has earned a chilling new adjective: pro t lately it has fessional. Advances in commu tions technology have enabled white-collar jobs to be shipped from the United States and Europe as never before, and the outcry from workers who once considered themselves in vulnerable is creating a potent politi-

cal force,
After falling by 2.8 million jobs since early 2001, employment has risen by 240,000 jobs since August. That gain, less than some expected, has not resolved whether the nation

is suffering cyclical losses or perma-nent job destruction. Last month, The International Herald Tribune convened a roundtable at the Algonquin Hotel in Manhattan to discuss how job migration is changing the landscape. The participants were Josh Bivens, an economist with the Eco-

nomic Policy Institute, a nonprofit research group in Washington that receives a third of its financing from labor unions; Diana Farrell, the di lador unions; Juana Farreta, the di-rector of the McKinsey Global Insti-tute, which is McKinsey & Compa-ny's internal economics research group; Edmund Harriss, the portfo-lio manager of the Guinness Atkin-



Josh Bivens: "Sometimes reces-

son China and Hong Kong fund and the Guinness Atkinson Asia Focus fund; M. Eric Johnson, director of Tuck's Glassmeyer/McNamee Cen-ter for Digital Strategies at the Tuck School of Business, Dartmouth Col-

about. This is a profoundly different relationship between hiring and the business cycle. And I think these jobs are, by in large, lost forever.

Q. Who wins in offshoring and who

MS. FARRELL There is an assumption by protectionists that these jobs are ng somewhere else, and all this gomg somewhere else, and an unsmoney has been pocketed by C.E.O.'s who take it home. A little more sophisticated version is: It's being pocketed by companies in the form of profits. One step further and you say those profits are either going to go as returns to the investors in those companies or theories point to so companies, or they're going to go into new investment by those compa-nies. Those savings enable me, if I am an investor, to consume more and therefore contribute to job recreation, and if I am a company, to reinvest and create jobs. That's impor-tant because I agree that we are mi-grating jobs away, some of which will never return, nor should they.

MR. BIVENS Within nations, trade tends to redistribute a lot of income The gains get pretty concentrated in the pockets of capital owners. The people who lose out are the bluecollar workers. Now you've got this class of white-collar workers who are much more insecure about their job prospects, and their labor mar-ket bargaining power is being under-mined. It doesn't mean we need walls all around the economy, but it does mean we need to get really serious about making sure all these gains are distributed.

MR. HARRISS Look at what's gone on in China over the last 10 years: There are 300 million people in those eastern coastal provinces who have seen an extraordinary pickup in their standard of living. And you're seeing an economy that is just about to take wing because you now have consum-ers who were never able to partici-pate in the economy before. Now it is people in the developed world who are being left behind. That is very difficult to resolve.

**Q**. One key piece of the win-win theory seems to be that displaced workers do find new jobs. What does history teach us about how well displaced manufacturing workers have been reintegrated into the work force?

MR. BIVENS The best research on what happens to people displaced from manufacturing is that they eventually find a new job, but they ners. These are our companies. It's us; it's not necessarily them.

MR. JOHNSON It's all about innova-tion and productivity. As long as we maintain those two engines, we'll maintain those two engines, we'll continue to have a very high standard of living. Out in the Bay Area there are plenty of folks who would love to create a little bit of protectionism around their I.T. jobs, but we are far better off letting a lot of those jobs go. Low-skill jobs like coding are moving offshore and what's left in their pleas are more advanced. their place are more advanced project management jobs.

Ms. FarRetL We will require different services, medical devices, all kinds of things to support an aging population. Fifteen years ago, you would not have been able to fathom many of the jobs that exist today.

MR. HARRISS There is not much new MR. HARRISS There is not much new radical innovation in Asia of the kind we're looking at to create jobs in the U.S. Apart from a very few excep-tions, what Asia does well is take the latest innovations and production techniques, invest in the most recent equipment and then bring in their powerful advantages in low-cost la-bor, and start to produce. For the most part, the benefits to Asia are just going to come with more people coming off the poverty line and into the global economy.

Q. What happens when China ceases to be an endless pit of poverty?

MR. ROACH China for all practical purposes has an infinite supply of labor: 400 million in its urban population and another 900 million in the rural area. The average wage of a Chinese worker is still 2.5 to 3 percent of the counterpart in the devel-oped world. Those are disparities that will be around for a long time.

o. Can China keep labor costs so low and still grow a critical mass of do-mestic consumers?

MS. FARRELL You are still talking about a pretty significant critical mass of people who are now entering consumption level incomes: \$7,000 to



M. Eric Johnson: "It's all about innovation and productivity.

\$10,000 G.D.P. per capita. Car sales in China are growing at 26 to 30 per-cent compound annual growth rates. Televisions, refrigerators, mobile handsets all have the same kind of J-curve. You only need 10 percent of the population to have a critical mass of income.

o. What do you see in the future?

MR. BIVENS Globalization is good at increasing the productive capacity of the world, but to make sure there are enough jobs for everybody, you need demand to keep pace with that in-crease in supply. That's where glob-alization presents a real challenge. Government's big roles in the future are to make sure global demand matches supply, and to provide so-cial insurance schemes to make sure the living standards of the workers being left behind aren't sacrificed on the altar of global progress.

MR. ROACH In the future there are two roads. One is to look backward and hang on to what we think we're entitled to. The other is to recognize what has made America. Our virtues lie in a flexible and open, technology friendly, risk-taking, entrepreneur-ial, market-driven system. This is ex-actly the same type of challenge farmers went through in the late 1800's, sweatshop workers through in the early 1900's, and man-ufacturing workers did in the first half of the 80's. We've got to focus on setting in motion a debate that push-es us into new sources of job creation rather than bemoaning the loss. There are Republicans and Democrats alike who are involved in this protectionist backlash. They're very vocal right now, and they need to be challenged.

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