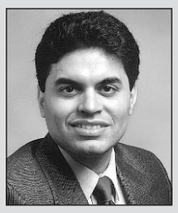
Hail to the flip-flopper



FAREED ZAKARIA
writes from Washington

The greatest president felt differently. When Grant captured Vicksburg, Lincoln -- who had believed that Grant was making a tactical blunder -- wrote him at once, saying, "I now wish to make the personal acknowledgment that you were right, and I was wrong." In fact, Lincoln's intellectual flexibility helped bring about his greatest legacy.

LAST week's elections were a great day for Iraq, for the Middle East, for America and for one American in particular. George W. Bush rightly deserves credit for these elections and what they symbolize. Many have argued that the events vindicate Bush's steadfast, unwavering, even stubborn style of leadership. But do they? The Iraqi elections occurred because George Bush changed course, junked a previous plan and adapted to realities on the ground. In fact, much of the progress in Iraq over the past eight months can be traced to Bush's willingness to reverse himself. The enduring problems in Iraq, on the other hand, developed and grew because his administration doggedly refused to recognize errors and makechanges. This is more than a point of historical interest. Going forward in Iraq -- and beyond -- we will need more of Bush's suppleness and less of the much-lauded steadfastness.

The American plan was not to hold elections this January. Paul Bremer had set out a seven-step process in which the United States kept tight control of Iraq. Elections were to be held only after an elaborate series of caucuses to choose an assembly and draft a constitution, followed by a national referendum. Washington stood firm on this plan -- "We will stay the course," Bush said repeatedly in the face of criticism -- until it became clear that things were unraveling. A man to whom the US had paid no attention, Grand Ayatollah Ali Sistani, the most powerful voice in the Shia community, was dead set against it.

Recognizing reality, Washington in March 2004 hastily asked the United Nations to go in and broker a compromise. The administration then accepted an entirely new plan agreed to by Sistani and UN envoy Lakhdar Brahimi. "(Brahimi) was the quarterback," Bush admitted, enraging many conservatives in Washington. In fact, these reversals were extremely wiseand rescued America's Iraq policy.

By contrast, the one area in which Bush has been truly unwavering has been on troop levels. He has never seriously reconsidered his decision to occupy Iraq with about half the troops that many of his senior military officers believed necessary. Those officers' estimates were supported by every recent study of peacekeeping operations.

Soon after the invasion, it became utterly obvious that these recommendations were right. Widespread looting, kidnapping, crime and ransacking of factories all spiraled out of control, and the insurgency thrived in this generally insecure environment. Support for the American occupation fell from over 70 percent to under 10 percent today. Commanders on the ground, Iraqi politicians and foreign diplomats all believed and told members of the press -- that a larger force would restore order.

President Bush, however, was unwavering. He had made his decision and he intended to stick by it. Well, almost. While refusing to admit any change, the administration during the past 10 months has quietly increased troop levels -- at one point by a total of about 30,000 -- but the damage had been done. In other areas the pattern is the same. The administration disbanded the Iraqi Army, decapitated the bureaucracy and insisted on running everything in Iraq. Several of these mistakes were eventually corrected, but often too late and without conviction.

President Bush has often said that he emulates Abraham Lincoln. In a recent letter to a Civil War historian, he wrote, "Lincoln set the goal and stayed the course. I will do the same." But what is remarkable about Lincoln is how willing he was to admit that his choices weren't working, and to insist on changes. He ran through seven generals in three years (George McClellan twice, the second time after one month) until he found the man who could do the job -- Ulysses S. Grant. He was often pilloried for his constant shifts of personnel and policy.

Lincoln stayed the course on one issue: preserving the Union. Bush has been similarly steadfast in his embrace of an important and noble goal: democracy in Iraq. But he has also been steadfastly opposed to recognizing that several of his policies have made the achievement of this goal much more difficult. When observers pointed to problems that could have been fixed, he and his supporters accused them of defeatism and weakness.

The greatest president felt differently. When Grant captured Vicksburg, Lincoln -- who had believed that Grant was making a tactical blunder -- wrote him at once, saying, "I now wish to make the personal acknowledgment that you were right, and I was wrong." In fact, Lincoln's intellectual flexibility helped bring about his greatest legacy. In his first year in office, Lincoln had stubbornly rejected the idea of abolishing slavery. But by 1862 he recognized that the best path to preserving the Union was by freeing the slaves.

So, he wavered, reversed his position and changed course. Thank goodness.

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The offshoring debate

RON CHEPESIUK

INSIDE AMERICA

The offshoring trend has sparked a strong reaction in the US. Lawmakers in several states are pursuing legislation to stem the loss of white-collar jobs to lower-wage countries. In my home state of South Carolina, for instance, lawmakers have introduced legislation that bans state agencies from using foreign call centres. At the Federal Government level, the General Accounting Office is beginning to investigate the impact of government offshoring on the economy. Meanwhile in Europe, the press reported that the European Union has begun examining the offshoring issue.

FOUNDED in 1985 as an information technology (IT) company focusing on application maintenance and development, the Farmington, Michigan-based Covansys Corporation blazed a trail in 1992 when it became one of the first US high tech companies to establish an offshore operation in India. Today, Covansys operates in India through its subsidiary, Covansys India Private Limited, which employs 2,700 full-time professional employees at development centers in Chennai, Mumbai, and Bangalore. The subsidiary occupies 250,000 square feet and counts as its clients such brand name companies as Skandia, Ford Motor Company, and Land's End.

Marty Clague, Covansys's president, has seen many US companies set up facilities in India since the early 1990s, and he believes the offshoring (also referred to as utsourcing) of IT services (that is, the sending of work to an overseas location) is a trend that can't be reversed. "Jobs are being off shored because companies realize they can save time and money by sending critical IT projects offshore," he explained.

Currently, India is the leading off shore destination for the IT sector, annually earning around $16 billion of the IT offshore revenues or about 60 percent of the total. The research and development off shoring market for India is estimated to grow from $1.3 billion in 2003 to $9.1 billion in 2010 at a compound annual growth rate of 32.05 percent, according to a study that the London, England based research firm of Frost and Sullivan did in 2003 for the Indian government's Department of Information Technology.

A study by the Chicago based research firm A.T. Kearney explained that India has become the world's favourite offshore location because it has many advantages: low costs, a large pool of technically trained manpower, and a good infrastructure in terms of telecom, production facilities, and technology support. "The Indian population is highly

literate, English speaking, and very talented, and, each year, its university system continues to produce a high number of well-trained graduates," explained Pamela Sedmak, a partner in Ernst & Sedmak, a Cleveland, Ohio-based consulting company that helps US companies evaluate their offshore options.

Other major offshore destinations for high tech companies include Ireland, the Philippines, Russia, and Eastern Europe, with China gaining in the manufacturing sector. The Stamford, Connecticut-based Gartner research firm predicted that China and India could receive almost the same amount of revenue from IT outsourcing, an estimated $27 to $30 billion, in the next three to five years. As an example of China's growing importance as an offshore centre, even well known Indian service providers as Tata, Infosys, and Wipro began to outsource their jobs to China in late 2002 and 2003.

In comparing the labour costs in China and India, Gordon Brooks, President and CEO of the Waltham-Massachusetts based E5 Systems, which has off shoring operations in both China and India, noted "The lure of US companies to outsource IT jobs to China is obvious: cheap labour costs. China is about 40 percent less than India right now, and I think, that gap will widen."

According to a research study published by Gartner, by 2004 more than 80 percent of the board of directors of US firms had discussed off shoring and forty percent had some kind of offshore pilot project in the works or were planning to off shore their IT services.

"Economically, we can't go back to where we were twenty to thirty years ago," said Roger Chen, Vice President of SBF Inc., a Silicon Valley based IT research and consulting company and a professor at the University of San Francisco School of Business and Management. "I know there are political considerations, but the economic trend is toward global integration."

The political considerations Chen alluded to have made outsourcing a controversial and hotly debated issue. In 2003, the US began vigorously debating its merits and effect on the economy. It's a debate that has continued unabated ever since.

The factor driving the offshore trend is cost saving. Studies have shown that companies in the US and other developing countries can substantially cut labour costs by replacing highly-paid high tech job with positions in developing countries such as India, Poland, or the Philippines that pay far less.

Critics charge, however, that the cost savings are coming at the expense of the American worker and that high tech jobs are following the familiar path of the manufacturing industry, which has sent millions of jobs offshore, contributing to a decline in wages of low skilled workers. Some analysts, moreover, say that, in the move to offshore, companies may overlook the logistical, technical, cultural, legal, and financial considerations that lead to hidden costs. "Moving your accounts payable operation to Bangalore, is not the same as moving to a shared services operations in Des Moines," Scott Furlong, an executive director with Gunn Partners, explained in the September 2003 issue of Financial Executive magazine. "Companies can't rush headlong into this. There are all kinds of cultural, political, and other concerns. For example, most offshore

destinations do not have 'safe harbour' status, which raises concerns about having them process data."

Intellectual property regulations can vary significantly from country to country, as do labour laws. Cultural differences can lead to conflicting performance standards, which can hamper administration and efficiency, while a currency that gyrates can be a headache.

Many companies are enticed by an offshore labour pool that's not only cheap but talented. But having access to a large pool of highly trained workers won't necessarily guarantee a smooth running offshore operation. In early 2003, ValiCert, a Redwood City, California based security software company had to revise its off shoring plans. The company hoped to make big savings by transferring software development work to India from the US, but, since the Indian workers knew little about the company and its products, the company's US software programmers had to spend a lot of time writing detailed instructions for the overseas workers.

Some analysts worry about a reverse brain drain, the result of the US pursuing government and private sector policies that threaten the health of the US economy and might even lead to a shift in the world's balance of power. American companies are continuing to contribute to this brain drain by outsourcing 'knowledge workers'software, product design and developmentabroad, they say. As many as 250 to 500 million knowledge workers may have already been outsourced. Alan M. Webber, a founding editor of the business magazine Fast Company, has warned that US companies using highly skilled foreign workers in India and other offshore locations may "in effect, be outsourcing their brains. In the short term, they may save money and boost profits. In the long run, they outsource creativity, and, gradually, erode their capacity to generate new products and services."

Given the issues and challenges relating to offshoring, it's certain that not every company will benefit from the trend. Gene Morrissey, a management psychologist with the Chicago-based RHR International, which advises companies dealing with issues relating to their plans to off shore, said: "Companies need to think through all the potential consequences of an outsourcing move before they do it. The cost saving they anticipate may be short-term, but over the long term it will not be as inexpensive as they thought. I know some companies have brought their outsourced operations to the US."

The offshoring trend has sparked a strong reaction in the US. Lawmakers in several states are pursuing legislation to stem the loss of white-collar jobs to lower-wage countries. In my home state of South Carolina, for instance, lawmakers have introduced legislation that bans state agencies from using foreign call centres.

At the Federal Government level, the General Accounting Office is beginning to investigate the impact of government offshoring on the economy. Meanwhile in Europe, the press reported that the European Union has begun examining the offshoring issue. Concerned by these developments, several US tech giants, including IBM, Intel and Hewlett-Packard have warned that protectionist measures to stem the export of jobs would hurt the US economy.

Offshoring, no doubt, will remain an important economic and political issue for some time, given both its complexity and impact.

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