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# The Seattle Times

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**Shifting fortunes**  
 Pain and gain in the global economy

## India parlays education, timing into tech boom

**INDIA'S RISE IN THE TECH WORLD, PART 2** | In little more than 20 years, an impoverished nation has developed an industry with a global reach.

BY BRIER DUDLEY  
 Seattle Times technology reporter

BANGALORE, India — Back in 1981, Kris Gopalakrishnan practically begged government officials to let him and six pals buy a computer so they could start a software company in their apartment. Indian companies didn't make the machine the young engineers needed, and the government, wary of foreign businesses, placed burdensome restrictions and taxes on global trade.

It took two years to get the request approved, and Infosys finally bought its first computer — a midsize Data General.

These days, if Gopalakrishnan needed a new computer, he probably could ask the prime minister to hand-deliver it. This past April, he received personal attaboys from both the prime minister and the president when Infosys' annual sales broke \$1 billion — a record for a publicly traded tech company in India.

"In a sense, it signifies the coming of age of the Indian IT industry, which contributes so much today to India's GDP, to our exports and to the image that India enjoys in the world," then-Prime Minister Shri Atal Behari Vajpayee said in his congratulatory note.

The story of Infosys helps illustrate how, in little more than 20 years, this young and impoverished nation grew an industry that has become the envy of the developing world —

Please see > **INDIA, A10**

**SEATTLE TIMES SPECIAL REPORT** | This is part of an occasional series on globalization and Washington's trade-dependent economy. This week, we take you from Redmond to India, where the outsourcing of high-tech jobs is a high-stakes game.

> The series online: [seattletimes.com/shiftingfortunes](http://seattletimes.com/shiftingfortunes)

**Newsline**  
 A quick look at today's news

**Terror:** Al-Qaida may have targeted the U.S. Capitol in addition to financial institutions. > **A4**

**Obituary:** Famed oil-field firefighter Paul "Red" Adair died at 89. > **A4**

**Venezuela:** President Hugo Chávez is gaining in the polls and could survive a recall vote. > **A8**

**Nuclear:** Condoleezza Rice said the U.S. is not alone in its mistrust of Iran. > **A12**

**Israel:** The Labor Party reported progress in talks on Prime Minister Ariel Sharon's Gaza withdrawal plan. > **A12**

**County parks:** Negotiations could lead to Subway restaurants at Marymoor Park and the aquatics center in Federal Way. > **Local B1**

**Muslims:** Allegations that the FBI is targeting local Arab Americans were on many minds as a North Seattle mosque held its annual community barbecue. > **Local B1**

**Seahawks:** Koren Robinson joined training camp after being out with a hip injury. > **Sports C1**

> News updates [seattletimes.com](http://seattletimes.com)

Taking a shot at \$10 million

## Underdogs' spacecraft explodes on 1st launch



The Rubicon rocket, built by Space Transport Corp., explodes into pieces yesterday on liftoff from a bluff overlooking the Washington coast near Queets, Jefferson County.

BY SANDI DOUGHTON  
 Seattle Times staff reporter

QUEETS, Jefferson County — In a giant leap backward for the underdog, two young rocketeers watched the unmanned spacecraft they've labored on for a year explode seconds into its maiden flight yesterday.

The spectacular mishap rained debris on the beach and into the Pacific Ocean, and probably ended the duo's long-shot attempt to win a \$10 million space race.

**The X Prize**  
 Corporations and private donors are sponsoring a \$10 million prize for the first team that sends a manned spacecraft to the edge of space — 62 miles up — and repeats the trip with the same craft within two weeks.

But Phillip Storm, president of the two-man company called Space Transport Corp., said they will continue trying to build rockets that can ferry tourists and payloads into space cheaply.

"We're disappointed, but not extremely disappointed because this was the first test flight," Storm said, standing by the remnants of one of the rocket's engines.

"NASA lost several rockets before they got something good."

Then he sighed deeply and rubbed his smudged hands through his hair. "It's just too bad."

Wisps of smoke hung over the remnants of a grass fire ignited by the explosion, while stunned volunteers

Please see > **ROCKET, A9**



Company co-founder Phillip Storm checks out debris from the rocket after the explosion. "We're disappointed, but not extremely disappointed because this was the first test flight," he said. Storm's partner in the endeavor is Eric Meier.

# Talks fizzle in Najaf amid attacks

**CLERIC'S MILITIA IGNORES ALLAWI'S THREAT**  
**U.S. officers, Iraqi leader hustled out of city**

Seattle Times news services

NAJAF, Iraq — Iraq's interim Prime Minister Ayad Allawi and top U.S. military officials visited Najaf yesterday in a bid to end the Shiite insurrection, but their failed and they had to be hustled out of town amid renewed attacks by followers of anti-U.S. cleric Muqtada al-Sadr.

After arriving on a Black Hawk helicopter and traveling through the holy city in a convoy of a dozen heavily armored vehicles, Allawi met with regional Iraqi officials and U.S. commanders in the city center. He threatened to forcibly remove armed fighters if they did not leave voluntarily.

Elsewhere yesterday, militants claimed to have taken a top Iranian diplomat hostage. A videotape broadcast on an Arabic-language satellite station showed a bearded captive identified as Faridoun Jihani, Iran's consul in the southern Iraqi city of Karbala. The kidnapers accused him of inciting sectarian strife in a country deeply divided between its resurgent Shiite Muslim majority and the traditionally dominant Sunni Muslim minority.

Violence continued today as a suicide car bomb

Please see > **IRAQ, A12**



Anti-U.S. Shiite cleric Muqtada al-Sadr

**MORE IRAQ NEWS** | **ARREST WARRANTS ISSUED FOR FORMER PENTAGON FAVORITE AHMAD CHALABI, HIS NEPHEW > A12**

**U.S. Marine killed in action > A12**

## Doctors spell out risks of childbirth on consent forms

**DISCLOSING DANGERS** | Some Seattle obstetricians are wrestling with how to avoid spooking pregnant patients but still ensure they know there are no guarantees in the baby-delivery business.

BY CAROL M. OSTROM  
 Seattle Times staff reporter

Seven Seattle obstetricians are drafting a consent form for pregnant patients, spelling out in graphic terms the dangers their babies face coming into the world, including death, "permanent severe brain damage" and other lifelong disabilities.

It's a dramatic departure from business as usual: Women facing a normal delivery typically don't sign consent forms until they arrive at the hospital, and then, most are vague and nonspecific.

Because pregnancy can be a scary time for women, full of unknowns and fears, the Seattle doctors believe they should protect easily spooked patients from horror stories of childbirth.

But the doctors' own fears in the medical-malpractice-lawsuit climate, they say, have driven them to take this unusual step.

They say their primary intent is not protection in the event of a suit, and lawyers say the form might not insulate doctors from suits. Instead, the doctors want to force patients — particularly highly educated

Please see > **CONSENT, A13**

Fifty years ago, Indian leaders saw education and technology as the building blocks of their infant nation's future. Modern leaders have nurtured what their predecessors started.

## < India

FROM A1

### TECH BOOM IGNITES

#### Price advantage draws U.S. customers to India

and the concern of U.S. tech workers who fear their jobs could move abroad.

It also helps explain how this formerly sleepy town emerged as the heart of India's Silicon Valley. Bangalore is home to several of the country's blue-chip tech companies, and to subsidiaries of most of the leading U.S. software and computer giants.

In an echo of 1990s Seattle and San Jose, it boasts sleek new restaurants, terrible traffic and stratospheric real-estate prices. Hotels and nightclubs are packed, and the locals wonder what happened to the slower-paced world of gardens and retirees they once knew.

"I tell people that for us, the culture shock has not really been so much from Redmond to Bangalore," says native Krish Srinivasan, a Microsoft manager who moved back last summer to work out of the company's new customer-support center. "It's really Bangalore 2003 compared to Bangalore in 1991, before economic reforms."

Microsoft occupies a midrise tower near the airport, next to buildings occupied by IBM and Dell. Not far away: Sun Microsystems, America Online, Google, Novell, Cisco, General Electric, Motorola, Hewlett-Packard, Texas Instruments and Intel.

Those American companies have helped boost the population of Bangalore by more than 70 percent over the past 20 years, to about 6.5 million.

Infosys alone hires about 6,000 people a year; last year, the number grew to 9,000.

### India's MIT

#### School created as cornerstone for achieving India's goals

Bangalore's transformation is not born of chance and has seeds that were planted even before India won independence from Britain in 1947. Coincidentally, it was the dawn of the computing era; scientists were starting to build electric calculating machines, although personal computers were still 30 years away.

Indian leaders saw education and technology as the building blocks of their infant nation's future. The cornerstone would be a school, modeled on the Massachusetts Institute of Technology, to produce engineers, leaders and entrepreneurs.

In 1950, the Indian Institute of Technology (IIT) opened in a former prison where the British had once held revolutionaries. The elite institute has expanded to seven technology schools around the country and a companion network of management schools known as the Indian Institute of Management.

The IITs admit only 2 percent of the 200,000 annual applicants, giving them a cultlike aura in a nation that has long honored education. Admission is seen as a ticket to jobs or graduate schools overseas — and a ticket out of poverty; despite India's growing status in the world economy, only 403 million of its 1 billion residents are employed, and nearly 60 percent of those jobs are in agriculture, according to the 2001 India census.

Modern Indian leaders have nurtured what their predecessors started. When the tech industry boomed in the mid-1990s, the government increased enrollment at the IITs — 50 percent in the past seven years — in order to produce more tech workers.

### Education investment

#### Grads leave country, but India hopes they'll eventually return

IIT Bombay sprawls through a lush, lakeside forest. Students slip off their shoes before stepping into air-conditioned computer labs sponsored by companies such as Intel.

India's federal government provides 70 percent of the school's annual budget directly. Government and industry research projects cover 20 percent, and the rest comes from tuition.

But the campus boasts new buildings paid for with donations from distinguished alumni — a testament to the



AMI VITALE / SPECIAL TO THE SEATTLE TIMES

Investment in education is key to the growth of India's tech industry. About 4,000 students graduate each year from the seven schools that make up the elite Indian Institute of Technology.

school's success at churning out not only a technology work force but industry leaders. Among them: Infosys Chief Executive Nandan Nilekani and former Microsoft General Manager Vijay Vashee.

The investment in state-of-the-art education was not without risk, especially given India's pervasive poverty and staggering unemployment. And indeed, most of IIT's 4,000 annual graduates leave the country to find better jobs and pay than they can at home. Although opportunities are growing in India, about half of IIT Bombay's computer-science graduates in recent years left the country, mostly headed to the U.S. to work or attend graduate school.

The gamble was that, over time, India would not just grow a tech-savvy work force; it would cultivate an industry.

"They were supposed to provide leaders in engineering and technology, which has been done," says S.C. Lakkad, deputy director of IIT Bombay. "But the second part was these leaders in technology would be back in India; that has been partly done."

### World market explodes

#### India positions itself to take advantage of high-tech boom

Gopalakrishnan threw in his lot with that gamble, and stayed home. Four of the seven Infosys founders attended IITs; Gopalakrishnan, now 48, graduated from IIT Chennai, on the coast east of Bangalore. All had doubts about starting a software company in 1980s India.

"In 1989 we almost decided to give up," Gopalakrishnan says. "All of our friends were doing so well — they had houses and cars, and we had nothing to show for all the hard work we'd done."

"But we decided to give it another three years. Luckily for us, in 1991, the

economy opened up and the government policies were much more conducive."

The world market for technology was exploding. India, poised to take advantage of that timing, made its first major step toward globalization, reducing trade tariffs and red tape and setting aside land for industrial parks.

Infosys established its headquarters at one of them, in Bangalore, on a Microsoft-style campus, where 7,000 workers tap away in 35 low buildings spread around lavish gardens and a small golf course. Visiting dignitaries have planted trees on the grounds. A bull bay, planted by Bill Gates in 2002, stands near a white murdah that Robert Black, the U.S. ambassador to India, planted the same year.

Not far away are trees placed by British Prime Minister Tony Blair and Michael Dell, whose college enterprise grew into the Dell computing giant.

Inside, employees enjoy a billiard hall, gymnasium and dining halls open to the tropical climate.

They develop custom software and design information-technology systems, working in four-person cubicles, window shades drawn against the searing sun. Their primary clients are U.S. companies; Nordstrom hired Infosys to develop the system that supports its financial and inventory-tracking operations.

A key selling point is cost. Infosys pays its engineers about \$400 a month in Bangalore — a tenth of what comparable U.S. jobs pay — so it can charge clients less for its services.

The price advantage is working for the company and its employees. As of March 31, Infosys had 25,634 employees worldwide. Most work at similarly luxurious campuses across India, including one across the street from Microsoft's new development center in Hyderabad. And while \$400 a month is a poverty-level wage by U.S. standards, in India it is impressive: The average Indian lives on \$470 a year.

Infosys, which listed its stock on Nasdaq in 1999, was the first Indian company to grant employee stock options; many workers have cashed them into relative wealth. Late-model cars wind bumper to bumper through the campus roads — something unimaginable a few years ago. Software engineers in their 20s are buying houses — something their parents felt lucky to do by their 40s.

The company is also expanding its global footprint. It's opening a software-development center in China, where it can serve Japanese and Korean customers, and an operation in the Czech Republic for customers in Germany and elsewhere in Europe.

The company is also expanding in the U.S. with a large center in Fremont, Calif. In April, it announced plans to invest up to \$20 million in a new consulting subsidiary in Texas.

### Americans arrive

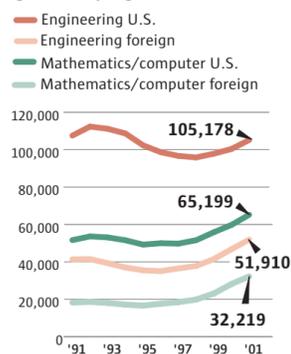
#### India offers infrastructure, tax breaks, well-trained workers

After India's independence, the country's first prime minister, Jawaharlal Nehru, called Bangalore the "city of the future." The government located its aerospace company and defense research lab-

## The changing face of technology

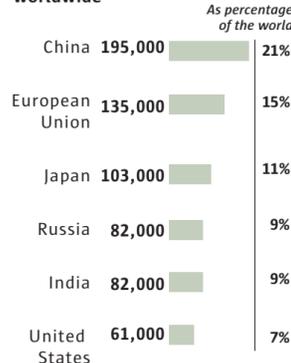
Education statistics suggest people from India and other foreign lands will play a bigger role in technology in the future. Foreign students are a bigger presence in U.S. engineering schools, and other countries are issuing more bachelor's degrees in engineering than the U.S.

### Students in U.S. engineering graduate programs



NOTES: Foreign citizen includes temporary residents only. U.S. numbers include black, white, Hispanic, Asian/Pacific Islander, and American Indian/Alaskan Native.

### Top source of engineering bachelor's degrees in 1999 worldwide



Sources: U.S. National Science Foundation, Division of Science Resources Statistics, WebCASPAR database system

THE SEATTLE TIMES



Students crowd the streets through the campus of the Indian Institute of Technology, Bombay. While India's tech boom is creating job opportunities for graduates, a third to half still go abroad for jobs or advanced studies.

### ABOUT THE SERIES |

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#### THE EFFECTS IN INDIA, PART 3 > Tomorrow

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Continued on next page &gt;

Pain and gain in the global economy

**Shifting fortunes**

< Continued from previous page

atories there, providing the base for its shift toward computer technology.

Citicorp had established the first American high-tech beachhead in India in 1984, with a software subsidiary in Bombay. Two years later, Texas Instruments opened a software-development center in Bangalore, followed by Hewlett-Packard in 1989.

Texas Instruments established a satellite link between Bangalore and its Dallas headquarters and shared that link with other companies. That opened a path for Indian companies to do data entry and basic programming for overseas clients. Rather than send software programmers to work at client facilities, or mail computer tapes back and forth, Indian tech workers could just jump on the Internet.

Again, the timing was perfect. U.S. companies were desperate to meet the growing demands of new, technology-based systems; Indian workers and vendors stepped in with ready-to-go expertise.

Sharing the English language was a plus, although accents and cultural differences can complicate transactions. The 12½-hour time difference from the West Coast to India also proved an advantage: Indian tech workers are on the job during what is night in the U.S., thus extending the productive work day to 24 hours.

As demand for services grew, India kept pace by improving its power and communications infrastructure, especially to serve dedicated technology parks, such as Bangalore's Electronic City and Hyderabad's Hitec City.

Infrastructure led the way to tax breaks and other financial incentives to lure tech companies. For example, companies that locate in Hyderabad's designated technology parks are exempt from zoning and pollution regulations and receive discounted electricity rates and a 50 percent reduction in lease taxes and business-registration fees.

The state of Andhra Pradesh, which includes Hyderabad, also gives companies a \$400 rebate in land prices for every job created, and offers grants of up to \$40,000 to offset construction costs.

**Lure of outsourcing**

*Practice grows in U.S., as does controversy surrounding it*

As Infosys and other Indian software companies were coming into their own, the U.S. had already developed a long track record of outsourcing work.

Work peripheral to companies' operations — from transportation to janitorial services — had been contracted to outside vendors for decades. Throughout the 1990s, business giants such as General Electric's Jack Welch and management guru Tom Peters trumpeted the value of "focusing on core competencies" and farming out everything else.

So when U.S. companies started spending on technology as they started to recover from the 2001 economic slump, India was again poised to step into the void.

Gartner, a consulting and research company in Stamford, Conn., estimates that 80 percent of U.S. companies are considering whether to outsource technology work. Through 2004, about half are expected to increase their use of outsourcing by up to 30 percent.

At a Gartner seminar on outsourcing in Seattle last year, the attendees were a who's who of the region's public companies: Microsoft, Paccar, Safeco and AT&T Wireless.

Governments, too, have embraced outsourcing, both foreign and domestic, as a way to privatize, streamline and lower costs.

But the practice has become as controversial as it is common, especially as the U.S. — and particularly the Pacific Northwest — tries to turn the corner on a struggling economy and stubborn unemployment rates.

Unemployment among computer professionals hit a record high of 5.2 percent last year in the U.S., while electrical-engineering unemployment rose to 6.2 percent, according to the Institute of Electrical and Electronic Engineers, a trade group critical of outsourcing and its effect on U.S. jobs.

**State outsources, too**

*Official says government seeks "best value" for tax dollars*

Labor groups pounced on Washington state last winter for hiring two companies using Indian labor for technology projects. One instance involved a \$25 million contract with IBM to develop a tracking system for the Department of Corrections that the labor groups alleged would be done by IBM workers in India. The other, a \$3 million contract to develop a Web page to administer Department of Social and Health Services benefits, went to Texas-based Health-Axis and Hyderabad's Satyam Computer Services.

"You have state departments that are letting out contracts that are flowing to offshore vendors and the work is being done in India — that's displacing not only Washington jobs but U.S. jobs," says Marcus Courtney, president of the Washington Alliance of Technology Workers, a Seattle-based organizing unit of the Communications Workers of America.



BRIER DUDLEY / THE SEATTLE TIMES

Infosys modeled its Bangalore headquarters in part on Microsoft's Redmond campus. In addition to lush landscaping and modern buildings, Infosys provides high-quality cafeterias, athletic facilities, pool tables and other amenities.

**Bangalore: India's Silicon Valley**

**Population:** 4,292,223  
**Pop. growth rate 1991-2001:** 34.80% (urban), 12.21% (rural)  
**Workers:** 2,563,853  
**Slum populations:** 345,200  
**Area:** 1,358 square miles



Source: Census of India 2001 THE SEATTLE TIMES

companies don't take advantage of global markets, they will lose business to companies that do.

"If you go for a protectionist response, that's going to compound the problem of adjustment because we are a highly integrated international economy," says Jagdish Bhagwati, a Columbia University professor and economist. "We are the biggest traders in the world. We're in competition with countries like Britain. If they outsource to buy cheaper services and we are not allowed to by protectionist policies, we will lose out in the international competition."

But the backlash against outsourcing is being felt in India. At Infosys, some projects have been delayed by U.S. customers who don't want to invite further controversy, Gopalakrishnan says.

"We are sensitive, because losing [a] job is a difficult thing," he says. "But I think it's really driven by macroeconomic factors, more than any individual company's influence. Globalization is here to stay; everybody's looking at the most efficient way to provide products or services. Consumers and customers are demanding the lower costs."

He says it's important to look at the bigger picture: India's middle class has tripled — from 100 million to about 300 million — in the past 15 years.

"All these are new consumers and people who buy stuff," he says. "Look at the most popular drink in India — Pepsi or Coke. All the cars are now imported."

And he notes that concern about globalization cuts both ways. A recent proposal to import U.S. seeds to India was opposed because, in a country that is 70 percent agricultural, there were fears that India would become dependent on the United States.

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**Q&A ONLINE:**  
 Reporter Brier Dudley will answer your questions during a live session on this series.  
 > Noon to 1 p.m. Wednesday at [seattletimes.com](http://seattletimes.com)

**The India network: The mentor**

**Vijay Vashee, 53**



BETTY UDESEN / THE TIMES

**Residence:** Mercer Island  
**Employer:** Tektronix; Electro Scientific Industries; Microsoft, 1982-2001, retiring as general manager  
**Education:** Indian Institute of Technology, Bombay; Cornell University, M.S.; University of Chicago, MBA  
**Family:** Married, father of three  
**Networking:** At Microsoft, Vashee was assigned to mentor 50 workers recruited from India in 1988. Started Seattle chapter of The In-dus Entrepreneur group in 2000.  
**Philanthropy:** Established foundation that supports single parents at Bellevue Community College, where he is a trustee. Endowed computer-science professorship at IIT Bombay.

**Quote:** "Any nation that doesn't take care of its children is ... mortgaging its future, and I see too much of that happening around me."

**ABOUT 30** Seattle-based tech companies straddle the globe with headquarters here and extensive operations in India. About half are connected to Vashee, the don of Seattle's Indian tech community.

A global outlook came naturally to Vashee. Born in Zimbabwe, he returned to his family's native country to attend the prestigious IIT, followed by graduate study in the U.S.

In 1982, he became Microsoft's second employee of Indian descent. In 1988 Microsoft made a recruiting trip to India to hire 50 IIT graduates, and Vashee was assigned to be their mentor and help them adapt to the U.S.

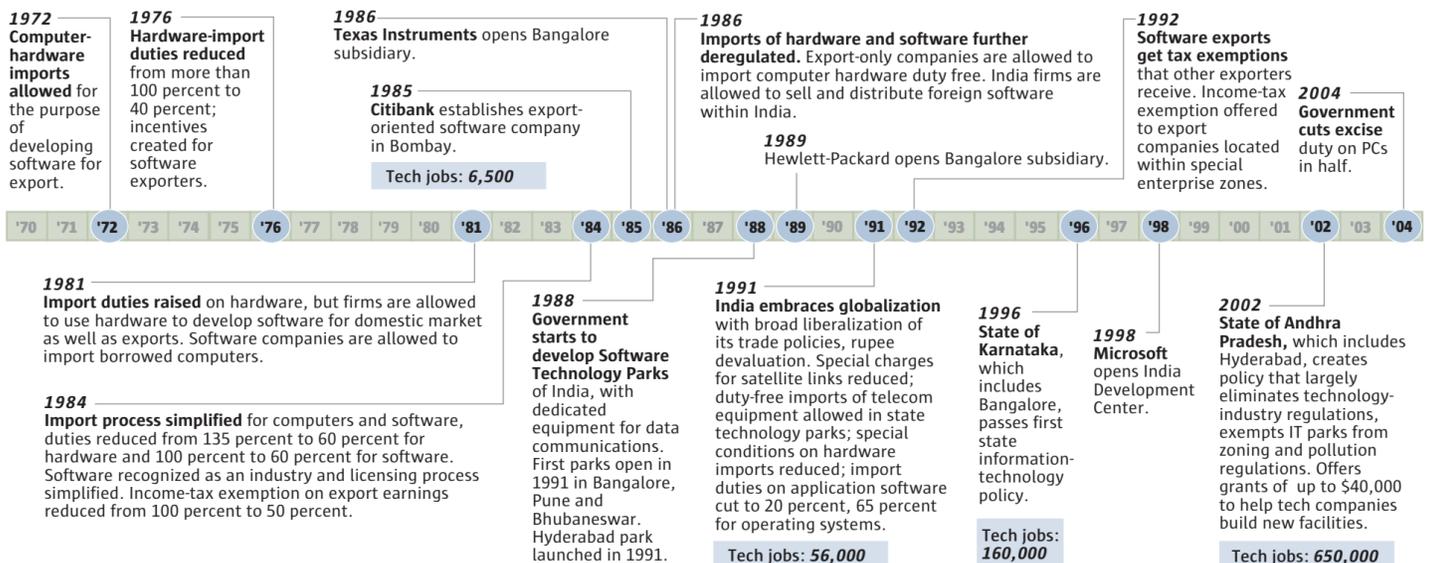
"Give me enough time, I can find enough tentacles to reach out and find enough friends to make something happen," he says. "In Bangalore, there are probably six individuals I know who can get me a connection to anything I want to get done in Bangalore." He says the Indian tech community has a close network that's central to how things work.

"Sometimes people call it corruption," he says, laughing. "But it's a very involved thing."

Changes from globalization are challenging but inevitable, Vashee says, and are doing remarkable things to India: "The more people are empowered, the more people feel like the situation has changed, the more they can galvanize the economy of the country."

Brier Dudley, Seattle Times staff reporter

**Milestones in India's efforts to foster a software industry**



Sources: Software Technology Parks of India; United Nations; Andhra Pradesh Department of IT & Communications, Nasscom

MICHELE LEE MCMULLEN / THE SEATTLE TIMES