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Can valley stay relevant?

MY VIEW: By Kumar Venkat

HIGH-tech manufacturing jobs have been leaving the United States for years in search of lower-cost labor abroad. Computer companies can no longer compete on price without relying on inexpensive labor offered by countries like China.

As Silicon Valley endures a protracted economic slowdown and waits for the "next big thing" to propel it forward, intellectual work may now be following manufacturing jobs in search of low-wage workers.

India, long known as the main destination for outsourced software projects, is now home to companies like Intel that are using Indian engineers to do advanced chip design. Russia, with its own large pool of technical talent, is challenging India's dominance in providing low-cost technical services. While China's software industry currently lags India in both revenue and capability, it is sure to be a major player in the coming years.

Whether it is software development, chip design or technical support, the lure of countries like India, Russia and China is the availability of large numbers of well-educated knowledge workers at extremely low cost. Good engineers can usually be hired in these countries for about \$1,000 a month. These wages are just a fraction of what similar engineers would earn in Silicon Valley. The potential for cost savings is enormous, and we may well be in the early stages of a substantial movement of high-tech jobs out of the valley.

High-speed communications technology, much of it developed here, has made it almost seamless to interact with co-workers and customers in any part of the world. Even if a company is still headquartered in the valley for historical reasons, the "virtual" company may be global these days with physical offices in different corners of the world.

This indeed was one of the promises of the technological revolution



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of the 1990s, and it is finally beginning to be realized in a way that may change Silicon Valley itself. The global companies emerging from the current downturn are unlikely to be held back by national boundaries or immigration laws. Just as customers are everywhere in a global economy, workers are to be found in every part of the world.

This raises the question of what Silicon Valley might look like a decade or two from now. A timely confluence of various factors put this region at the forefront of high technology: talented and visionary people, a culture of innovation and risk-taking, and world-class research universities. This mix attracted a continuous stream of fresh technical and business talent to the area, crucial for founding and building new companies. Physical presence in the valley became an important part of a successful high-tech career, and engineers working elsewhere spoke of being "geographically disadvantaged."

The venture capital industry, which grew along with the valley, provided fuel to this fire, leading finally to the decade-long economic boom that ended two years ago.

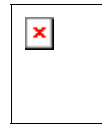
But while companies still have to contend with paying some of the highest salaries in the world, workers still have to struggle to find affordable housing and manageable commutes in an overcrowded and overpriced real estate market.

It's likely that Silicon Valley will continue to be an expensive place over the next several years, prompting businesses to continue to move jobs and expand overseas. Will young engineers, visionaries and entrepreneurs come here, as the last generation routinely did in the '80s and '90s? Or will they find that they can adopt the valley's essential values and culture without being physically present here? Will technology and an open global economy allow future entrepreneurs to create virtual global companies that have no particular stake in Silicon Valley?

In other words, will Silicon Valley continue to be relevant as a place?

Kumar Venkat has worked in the high-tech industry for 18 years, much of it in Silicon Valley.

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