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IT exports slow down

Business Standard

15 November 2012, New Delhi: In its mid-year review, the software association Nasscom has revised its forecast for software and services exports (IT & ITeS) for the current fiscal year of 2012-13 to 11 per cent, from the 11-14 per cent range indicated at the beginning of the year. While this is, strictly speaking, not a downward revision, the implication is clear: any hope at the start of the financial year that things may get better further down the line has been belied. At the lower end of the projected figure, $75 billion, exports will grow at nine per cent over last year's $68.7 billion. In 2011-12, exports grew by 16.4 per cent. The compounded annual growth rate over the five-year period, from $31.3 billion in 2006-07 to $68.7 billion in 2011-12, works out to 17 per cent. So the software and services sector is clearly underperforming in relation to its recent record. The current year is a tough one for the global economy, but the five years encompass the entire period of global economic turmoil beginning with US housing prices collapsing in 2007. It will not be enough for Nasscom to derive satisfaction from the fact that this year the industry will achieve at least 10 per cent growth and the prospects for next year are "good". Software exports are not doing as well as they used to and there should be a discussion on solutions.

Export growth rates have decelerated for several reasons. US economic recovery is neither confirmed nor robust; Europe remains in the doldrums; West Asia's strength as a growth driver has been curbed by the turmoil in the region; and the domestic market, whose growth can spread out overheads for the entire sector, is not performing to expectations. The US banking and financial sector, the major customer of Indian IT, is still trying to find its feet, with investment banks not knowing what the future holds for them. Compliance-related IT spending is not taking off since the regulatory scenario is still unclear. The promising healthcare sector is also partly in limbo as the extent of US states' adoption of President Obama's healthcare plan is still open.

Customer acquisition is progressing, but IT firms are relying on getting more purchase out of existing clients than new ones. India can pray for US economic recovery to become thoroughgoing so that firms can resume their discretionary spending, which an increasingly maturing Indian industry is getting to rely on. But it needs to do more, like pay attention to the bottom end of the value ladder. Indian business process outsourcing, or BPO, is losing voice business to the Philippines. Such jobs are a boon to the educated unemployed. The future is likely to get tougher. Indian firms will have to recruit more onshore to get closer to their clients and this will affect margins. With the high margins enjoyed by the industry unlikely to endure, there is a great need to chase volumes.

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Services exports shrink 7.6% on declining demand

Asit Ranjan Mishra, Livemint

15 November 2012, New Delhi: India's services exports have started to shrink, on top of declining demand in the overseas markets for its merchandise in the face of recession in Europe and faltering economic recovery in the US, reinforcing concerns about the government's ability to bridge the widening current account deficit.

Net services exports shrank 7.6% to $28 billion in the first half of the fiscal (April-September), data released by the Reserve Bank of India (RBI) on Thursday show. The merchandise trade deficit widened to $48 billion during the same period, from $40.4 billion in the year-ago period, as exports fell and imports rose.

India runs up a deficit with the rest of the world in merchandise trade in most fiscal years, with the gap being partially met by a surplus in services trade. The declining net services exports and a widening merchandise trade deficit pose a new challenge for the government, which is struggling to boost slowing economic growth.

In the year ended 31 March, the trade deficit, mostly the outcome of an increase in gold imports, led to a current account deficit equal to 4.2% of the country's gross domestic product (GDP).
RBI, in a note published on 12 November, said the falling merchandise exports, coupled with the declining surplus in services trade over the medium term, is likely to leave the current account deficit too wide for comfort.

The current account deficit "financing pressures can re-emerge in the face of event risks, although the recent policy measures announced by the government have helped boost portfolio inflows for now," RBI said.

Finance minister P. Chidambaram said recently that the government hopes the current account deficit will fall to 3.7% of GDP this fiscal. He said a substantial part of the $70.3 billion required to finance the deficit will be met through foreign direct investments, foreign institutional investments and external commercial borrowings.

Services exports won't provide any help in narrowing the trade deficit at a time when merchandise exports are also contracting, said Madan Sabnavis, chief economist at CARE Ratings.
Sabnavis, however, expects the deficit to remain below 4% of GDP in 2012-13.

India's services exports range from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI's classification of service exports includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services.

Services are critical to India's economic well-being as they constitute more than half the country's GDP. The share of services in the GDP has risen from 33.5% in 1950-51 to 56.3% in 2011-12.

In terms of size, software is a key category, accounting for 41.7% of the total services exports in 2010-11. The Economic Survey for 2011-12 said the outlook for the services sector in the domestic economy is linked to its prospects externally.

"While software services exports have continued to be steady, the unfolding events in the euro area could lead to some sluggishness in this sector," it said. "The fair-weather business services exports, which have already shown signs of deceleration, may not get better."

While the commerce ministry regularly updates its foreign trade policy and sets yearly targets for merchandise export growth, forecasts for the services sector or measures to boost its exports are a rarity.

According to the World Trade Organization, India ranked sixth in exports of commercial services in 2011 with a 3.6% global share. In services imports, it ranked seventh with a 3.4% global share.

In contrast, India ranked 19th for its share of merchandise exports, contributing 1.6%; it ranked 13th in its share of merchandise imports with 2.5%.

RBI, in its annual report released in August, cautioned that the falling comfort level from services exports means that current account deficit risks will persist this year.

"Software exports are likely to moderate as global IT spending is expected to be lower. Major software exporters have already made steep downward revisions in their guidance on expected revenue during the year," the central bank said.

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India ranks seventh in global services trade by WTO

Economic Times

18 November 2012, New Delhi: India has been ranked by the World Trade Organisation (WTO) as the seventh largest player in the global services trade with value of exports and imports aggregating $ 261 billion in 2011.

With exports at $ 137 billion and imports at $ 124 billion, India is among the five countries among the top ten players which ended the year 2011 with a surplus of trade in commercial services, according to a WTO report.

The Indian economy is mainly driven by services with the sector contributing over 55 per cent of the country's Gross Domestic Product (GDP).

The US lived up to its reputation of a global powerhouse of commercial services with exports of $ 581 billion, far exceeding its imports of $ 395 billion, the report noted.

Though Germany was ranked as the second biggest player in the global services trade, it had more of imports than exports with a deficit of $ 36 billion. Its exports of services were $ 253 billion while imports aggregated to $ 289 billion in 2011, it said.

China which runs a big surplus in merchandise trade had a deficit in the services with imports exceeding exports by $ 54 billion.

"The value of world exports of commercial services rose by 11 per cent in 2011 to $ 4,170 billion, exceeding pre-crisis levels of $ 3,850 in 2008," the report said.

While Europe showed signs of recovery, with annual growth of 11 per cent in 2011, Asian economies saw their growth rate halved compared with 2010, mainly due to slower growth in transportation services and other commercial services, it added.

The report also noted that services supplied by US majority-owned foreign affiliates to China and India proved more resilient to the global crisis than exports of cross border services.

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Pressed into service

T S Vishwanath, Business Standard

July 19, 2012: A group of 18 countries at the World Trade Organisation (WTO) recently issued a joint statement stating that they look forward to entering a "new phase" of negotiations on services from September this year.

In a broad statement, these countries have said that "a significant number of Members have made great advances in opening up their markets, both autonomously as well as through more than 100 services trade agreements notified to the WTO ... We believe it is time to bring this progress back to Geneva with the ultimate aim of reinforcing and strengthening the rules-based multilateral trading system."

The list of signatories includes some developed and developing countries, though India is not part of the group. The European Union (EU) and the US are both signatories to the statement.

The statement says the agreement should be comprehensive in scope, including substantial sectoral coverage; should include market access commitments that correspond as closely as possible to actual practice and provide opportunities for improved market access; and should contain new and enhanced rules developed through negotiations.

This statement is significant since negotiations on services have lagged most other discussions when countries were taking the Doha Round forward. Therefore, to signal that countries would be taking the services agenda forward in the coming months is a development that needs attention.

It is also important to note that according to preliminary estimates by the WTO and the United Nations Conference on Trade and Development (UNCTAD), in the first quarter of 2012, world exports of commercial services rose by three per cent year-on-year, following the same pattern recorded in the fourth quarter of 2011.

The joint statement also comes a few days after WTO Director General Pascal Lamy said at a meeting in Beijing: "it was time we put services at the heart of our trade opening agenda." Lamy pointed out that for many developed countries, services account for more than 70 per cent of GDP; and that in many developing countries, this share has increased to around 50 per cent. He pressed China to drive a positive agenda in negotiations on services.

The joint statement is a reflection of the agenda that the US and the EU have been pushing with developing countries like India and China. There has been considerable pressure on India, for instance, to open up some areas of services for greater foreign participation — retail services, financial services and legal services. In all three sectors, there has been considerable political opposition within the country to opening up, and bilateral discussions have not yielded much result.

The WTO may help developed countries move this process forward in a meaningful fashion. As Lamy suggested to Beijing, when countries have an offensive agenda to open trade in services the WTO framework remains the best option.

If the services negotiations do gather momentum, as is suggested in the joint statement, then for the negotiations to bear fruit countries must look at regulations across the globe that hinder the flow of services. It is not just the opening up of the sector that is important. What is equally important is that the local regulations should not be stacked against foreign suppliers. Further, there is a very important introspection to be done by the US and the EU on whether they are keen to look at movement of professionals as part of the services negotiations.

There is considerable pressure within the US, for instance, to allow more Indians and Chinese to obtain green cards. Reports have said that over 300 technology companies from the Silicon valley and other places have petitioned the US Senate Subcommittee on Immigration, Refugees and Border Security to support a piece of legislation that seeks to remove the per-country limit in allotting green cards. Under the current law, 140,000 green cards are available, of which each country has a cap of seven per cent.

Given the current global economic environment, the services negotiations will need much support as work-related cross-border movement of professionals, which is an important demand for countries like India, could create concerns for some developed countries that are already under stress owing to unfavourable jobs data in their respective countries.

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Talks to open up services, investment in South Asia may end by Sept

Arun S., Hindu Business Line

New Delhi, August. 9, 2012: Talks to liberalise trade in services and investment in South Asia are likely to be concluded by September-end.

With India recently notifying its decision to permit foreign direct investment (FDI) from Pakistan, the talks have gained a new lease of life, official sources told *Business Line*.

Earlier, though India was keen on early conclusion of the negotiations, Islamabad had questioned New Delhi on how it could pitch for liberalisation of services and investment in the region when it was yet to accord non-discriminatory treatment to Pakistan on FDI.

The South Asian Association for Regional Cooperation (SAARC) members - India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan, Maldives and Afghanistan - already have a Free Trade Agreement (the Agreement on South Asian Free Trade Area or SAFTA) on trade in goods.

The talks now are on SAARC Agreement on Trade in Services (SATIS), as the members have realised that they can reap more benefits only if SAFTA is expanded by including trade in services as well as investment, the sources said.

The scheduling commitments (the extent of opening up various service sectors for investment; and keeping out some sensitive sectors, like space and atomic energy) will be finalised next month, the sources said.

The minimum that one can expect is the basic commitments given by SAARC member countries at the World Trade Organisation-level, they said, adding that in some sectors, SATIS can also go beyond what has been committed at the WTO.

Significantly, around 55 per cent of the value added to South Asia's GDP was on account of services. However, India's strength in the sector, including a high number of skilled professionals, is seen as a threat by other South Asian countries.

The other SAARC countries fear that opening up their services market would result in a huge influx of Indian service professionals in IT/ITeS, banking, accountancy, engineering, consulting and telecom.

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India digs in heels on free trade pact with Asean

Neeraj Thakur, Daily News & Analysis

3 November 2012: New Delhi mulls suspending negotiations on services and investment after row with Philippines, Indonesia

Ahead of the Indo-Asean summit on free trade agreement on November 19, India is considering the proposal of suspending negotiations on both services and investment. The move is being considered against the backdrop of disappointing response from countries such as Philippines and Indonesia in the services sector.

A note prepared by the ministry of commerce on the issue has floated three options that include suspending negotiations on both services and investments and resume these at a later date.The second options in consideration is concluding the services agreement on the basis of existing offers and conclude separate agreements with AMS (Asean member states) and separate ones with the Philippines and Indonesia.The third option being considered by India says 'restrict the investment agreement to only an Investment Promotion Agreement given the wide divergence in positions on investments.'

The note clearly expresses India's disappointment with Indonesia and Philippines saying, "While India would have expected a better services offer from all Asean members it is clear that Philippines and Indonesia are not inclined."

Under the services sector, India wants greater opening in the Mode IV category to ensure that professionals like doctors, nurses, accountants, chefs, get more job opportunities in the Asean member states that include Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, Singapore, Philippines,Vietnam and Thailand.

Prime Minister Manmohan Singh would be travelling to Cambodia on November 19 to attend the Asean summit this year.

India had signed the 'Trade in Goods' agreement with a focus on tariff liberalisation with Asean in 2009. The agreement on goods targeted elimination of tariffs on 80% of the tariff lines accounting for 75% of the trade in a gradual manner starting from 1st January, 2010.

India's trade with Asean countries has grown at a rate of 42% in the past two years.

Exports to Asean countries have touched $36 billion in 2011-12 while imports have touched $25.7 billion in the same period. The government expects that the full tariff reduction on 64% of the lines will be completed only by December 2013 and it would be too early to gauge full impact of the FTA.

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India ready to sign FTA in Services, Investment with ASEAN: PM

Sandeep Dikshit, Hindu

19 November 2012, Phnom Penh: Prime Minister Manmohan Singh responded to the urging of Association of South East Asian Nations (ASEAN) by promising to finalise the Free Trade Agreement (FTA) in services and investment before leaders from this 10-nation bloc arrive in Delhi next month for a summit with India.

On Sunday, Prime Minister of Singapore Lee Hsien Loong and President of Philippines Benigno Aquino during meetings with Dr. Singh were the most recent to press for an early conclusion of a comprehensive FTA. India had signed the FTA in goods in 2009 and has since been negotiating its extension into the services and investment sectors.

Although Commerce and Industry Minister Anand Sharma rolled out figures to assert that trade with ASEAN was growing in leaps and bounds, the fact remains that the dollars 75 billions in bilateral trade clocked last year was only 2.9 per cent of this block’s total trade. Even the FTA in goods covers only 80 per cent of tariff lines compared with 90 per cent in ASEAN’s FTAs with other countries.

"India is prepared to conclude the agreement on trade in services and investment promotion before the commemorative summit in Delhi in December. This will be a strong signal of our deepening economic engagement, and will allow for rapid expansion in trade and investment flows in both directions,” Dr. Singh said in his opening remarks at the one-hour India-ASEAN summit here on Monday. During his response statement later, he felt a comprehensive FTA would be the "springboard" for rapid expansion in economic relations with ASEAN.

With the US backing the initiative, Dr. Singh said the India-Myanmar-Thailand highway would be operational by 2016 thus opening North East India to South East Asia. He also spoke about another alternative route through central or north Myanmar to connect Guwahati to Hanoi. US and Japan at their recently held second trilateral meeting with India had supported this initiative and the issue would be discussed at their next meeting in depth to be held in Washington. "The route will be through virgin territory. With the big boys [Japan and the US] backing it, we would like to give the proposal a try," said Government sources.

“These are welcome steps in implementing the vision of India-ASEAN connectivity. We await route alignments on the extension of the Trilateral Highway and the proposed new highway to Vietnam so that these can be examined in an integrated manner. I look forward to early completion of the feasibility studies,” Dr. Singh said in this respect.

The Prime Minister pointed out that the importance of surface and sea connectivity with the east was being highlighted by the India-ASEAN car rally that will cover eight ASEAN countries over a route length of 8,000 kms and the sailing expedition by the naval ship Sudarshini which set off from Kochi. Dr. Singh also mentioned other India-ASEAN initiatives that tend to get eclipsed by more attractive initiatives. These include the upcoming business fair in Delhi, a past meeting between the heads of space agencies in Bengaluru and a meeting of ASEAN economic ministers in Guwahati next month. He appreciated Cambodia’s constructive and supportive role for the last three years as the coordinator for ASEAN and welcomed Brunei which has taken over this function.

The Prime Minister’s assurance of across-the-board FTA with ASEAN by mid-December was welcomed by the Confederation of Indian Industries (CII) which pointed out that the two were among the biggest beneficiaries of the shift in global economic equations and should jointly leverage their large markets and development endeavors.

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India, Asean talks on services, investment pact set to conclude

Asit Ranjan Mishra, Livemint

New Delhi, 19 December 2012**:** India and members of the Association of Southeast Asian Nations (Asean) are all set to announce closure of negotiations on a long-pending agreement on services and investment in New Delhi on Wednesday, seeking to boost trade and investment links.

"We will definitely conclude it and then we are duty bound to report to the heads of states and heads of the governments who shall formally make the declaration on 20 December," Commerce And Industry Minister Anand Sharma said at a joint press conference with trade ministers of key Asean countries.

To mark the 20th anniversary of a dialogue-level partnership and the 10th anniversary of its summit-level partnership with Asean, India is hosting the India-Asean Commemorative Summit on the theme "India and Asean: Partners in Progress and Prosperity" on 20-21 December, which will be attended by head of states of the Asean region. The summit is expected to result in the adoption of the "Asean-India Vision Statement 2020", which will chart the future direction of relations.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Two-way trade between the two sides stood at $80 billion in 2011. They are targeting $100 billion by 2015.

India became a sectoral dialogue partner of Asean in 1992, and the relationship was upgraded to a full dialogue partnership in 1996. Since 2002, India has been having annual summits with Asean.

While both sides have signed a free trade agreement (FTA) on goods that came into effect in August 2010, India has been pressing hard for the services and investment agreement as it sees more gains in these two sectors.

Sharma said that after conclusion of the talks for the services and investment agreement, it may take an year to fully implement the pact. Sharma hopes early operationalization of the agreement would provide greater impetus to trade and investment flows.

A trade expert who spoke on condition of anonymity said his impression was that the pact will be very low in ambition and India is unlikely to gain anything significant from the agreement.

The Philippines has been opposing a services pact with India as it competes with it for outsourcing business. Felicitas Agoncillo-Reyes, Assistant Secretary, Department of Trade and Industry, who represented the Philippines in the negotiations, was absent from the joint press conference attended by all other trade ministers of the Asean region.

"This is just to make a political statement," the analyst said. India views its partnership with Asean as a crucial block in sustaining growth momentum. "We would like to benefit from Asean experience in key sectors of economy such as infrastructure, agro-processing, retail and value-added manufacturing. Equally, Indian companies can be invaluable partners for Asean economies in augmenting their productivity," he said.

The Asean region, along with six major economies in the region—India, China, South Korea, New Zealand, Japan and Australia—have also agreed to launch negotiations for a regional comprehensive economic partnership with an aim to be the largest trading block in the world when negotiations conclude in 2015.

Sharma said the proposed treaty, when it is reached, will be a momentous step and will truly have a defining influence on the global economic architecture.

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Asean services pact talks concluded

Business Standard Reporter

New Delhi, 21 December 2012:India and the Asssociation of Southeast Asian Nations (Asean), the 10-member regional grouping, moved closer on Thursday to completing a bilateral trade pact, by finalising a free trade agreement (FTA) on services and investments. They are expected to sign the pact in August 2013.

An FTA on goods was signed between Indian and Asean in 2011. India's services sector contributes around 55 per cent to the country's GDP, making this new pact significant. The agreement on services and investment had been pending.

The 10 members in Asean are Cambodia, Laos, Malaysia, Singapore, Thailand, Vietnam, Brunei, Indonesia, Myanmar and Philippines.

The pact will enable free movement of professionals from here such as doctors, engineers, architects and management consultants across the Asean markets. It is being seen as lifting the India-Asean relation to a new strategic partnership. Business process outsourcing (BPO) is among the areas likely to benefit once the pact is signed. In his opening remarks at the two-day 'Asean India Commemorative Summit' here, Prime Minister Manmohan Singh said negotiations for the new FTA had been concluded. "This represents a valuable milestone in our relationship. I am confident it will boost our economic ties in much the same way the FTA in goods has done," he said.

India-Asean trade has grown over 10 times in the 10 years since the annual summits between the two sides began, the PM noted. While the summit is celebrating 10 years, India has been a dialogue partner with this regional grouping for 20 years.

Two-way trade grew 41 per cent in 2011-12, to touch $79 billion. While the target has been set at $100 billion by 2015, the PM said on Thursday it had the potential to reach $200 billion by 2022.

As Asean investments into India have multiplied, their countries, too, have emerged as major destinations for Indian companies, the PM said. "From energy resources to farm products, from materials to machinery, and from electronics to information technology, Indian and Asean companies are forging new partnerships of trade and investment."

Implications

Services will include sectors such as healthcare, pharmaceutical, biotechnology, tourism, transport, communication and construction. The FTA aims to cover a market of 1.8 billion people and a collective GDP of $3.8 trillion.

Shubhada Rao, chief economist at YES Bank, told Business Standard it was extremely important for India to diversify its export destinations. "With the developed world likely to take a while before getting back to a normal trajectory, this agreement will allow India to look at growth in the Southeast Asian regions for greater competitiveness," she said. According to her, India has already demonstrated its skill sets to the West. "We can now replicate our expertise before the Asean region in a cost-effective manner," she added.

Agreed another economist, Sridhar Venkateswaran, who noted the services pact would be critical from India's standpoint. "Visa on arrival and free movement of professionals in the services sector are among the advantages for India. Indian information technology and BPO companies will get significantly benefited, as they will be able to set up back-office centres across the Asean region," he said. Also, the Asean market would like to access India's tourism sector, he said.

Last month, the Indian PM was in Phnom Penh, Cambodia, to attend the Asean Summit and the parallel East Asia Summit, where talks were held on extending the scope of the FTA to services and investment. Ahead of the two-day Asean-India Commemorative Summit being attended by the heads of states, trade ministers had met to reduce the differences on many issues that some had in connection with the services and investment pact. Philippines and Indonesia, strong in outsourcing, are among the member-countries with some reservations on opening their services sector.

Speaking to reporters, Singapore Prime Minister Lee Hsien Loong said the Asean-India FTA was now a comprehensive agreement, in line with the other Asean Plus One FTAs. Lee is learnt to have met some industrialists in Gurgaon, the satellite city next to Delhi. Bharti Group chairman Sunil Mittal was one of them. Singapore's Sing Tel is an investor in Bharti. The two discussed the scope of investments in Singapore.

A vision statement issued at the summit said, "We declare that the Asean-India Partnership stands elevated to a strategic partnership." India and Asean share the vision of a peaceful, prosperous and resurgent Asia, which contributes to and promotes global peace and security, it added.

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Asean beckons

Financial Express

24 December 2012: Given India's competitive advantage in services—a Deloitte study puts India's revealed comparative advantage index in all services at between 1.5 and 2 as compared to a number between 0.5 and 1 for Asean nations and China—the successful conclusion of an Indo-Asean dialogue to include a pact in services as well as investments is a very big positive. The exact details are not known as yet since the formal signing has not taken place, but Indian officials announced that a deal had been reached on Thursday. India's long-held position, in both multilateral and bilateral talks, has been that the opening up of Indian markets would be contingent upon it getting access to global services markets including through the movement of Indian professionals. Of course, this goes both ways and India cannot stop, say, Singapore lawyers from practising in Indian courts while wanting Singapore to allow India's IT professionals to be allowed to work in Singapore. Asean is a big importer of services and, in 2011, imported $262 billion of services as compared to its services exports of $253 billion.

In the medium term, Indian manufacturing will have to get quite competitive. As per the agreement, when the FTA gets fully functional in 2016, tariffs will be eliminated on 80% of traded items in a phased manner, tariffs on 10% of items (sensitive items) will not be touched and the tariffs on the rest will be brought down to 5%. While India can be more competitive in chemicals and pharmaceuticals and mineral fuels, Asean scores in machinery and electrical equipment—in automobiles, the picture is not so clear-cut as both have their own competitive advantages. Apart from the onus this puts on India's manufacturing sector, this means the government will have to do its bit as well since, more often than not, lack of land, rigid labour laws, unavailability of world-class infrastructure and general bureaucratic lethargy are what prevent firms from acquiring global quality. While India stands to gain from the greater access to Asean markets, the bigger gains will undoubtedly arise when the Asean+6 agreement gets formalised.

At the end of the day, while global trade is slowing—India's exports have been falling steadily for seven months—intra-regional trade offers better potential, especially since it is clear multilateral talks are not going to succeed till the global economy starts picking up. While intra-regional trade is a significant part of both European and the Americas global trade—it is 25% in the case of the Asean—India's trade with her neighbours is minuscule, partly an indictment of the way in which India's neighbours view her. A Mekong river-type joint development, for instance, looks near impossible between India and her neighbours that share the same river waters.

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Free trade pact with Asean likely to be signed in August

Business Line (The Hindu)

Chennai, 6 March 2013: The Free Trade Agreement between India and the Asean (Association of South East Asian Nations) is all set to become a more comprehensive one. A pact on trade in services, as well as investment, is going to be signed in the next few months.

Avinash P. Joshi, Director, Union Ministry of Commerce and Industry, said negotiations between the Indian Government and Asean (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) are over and an agreement to this effect would be signed in August. "We hope this would open up a huge opportunity in the services and investment relations with these countries," he said.

Besides, pointing out that the trade with these countries in the first nine months of the current financial year has clocked over $55 billion, he said this is expected to go past $80 billion by the end of the year. In an "outreach session" on Free Trade Agreement, organised here today by the Confederation of Indian Industry along with the Union Ministry of Commerce and Industry, Joshi said total trade between India and the member countries of Asean has been growing at a compounded annual growth rate of 20.64 per cent, from 2005-06.

Talking about foreign direct investments into India, he said bilateral investments between Singapore and India have crossed $50 billion, with Indian investment in Singapore (at $27 billion) being marginally above Singapore investment in India ($24 billion).

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Asean services and investment agreement gets govt push

Huma Siddiqui, The Financial Express

New Delhi, 4 July 2013: Even as the government pushes for a ratification of the Asean-India Trade in Services and Investment Agreement, a high-level meeting of legal scrubbing is scheduled to take place in the Capital later this month. A senior government official told FE, "Asean member states are finalising the dates for meetings during this month." External affairs minister Salman Khurshid, addressing the 11th Asean-India foreign ministers meeting in Bandar Seri Begawan, Brunei, said, ..FTA on trade in goods signed in 2009 helped us meet our trade target of $70 billion ahead of time, when the trade turnover in 2012 reached $80 billion. But the more recent trend of a relative decline in Asean-India trade during 2012-13, though minor, should serve as a wake-up call... Khurshid pushed for ratification of the agreement, negotiations for which ended last December. Khurshid hoped for an early signature on the agreements before heads of both the countries meet again in three months. ..This is also essential for achieving our trade target of $100 billion by 2015." The signing is expected to take place in August during a consultation between Asean economic ministers and commerce and industry minister Anand Sharma.s visit to Brunei in August 23-24. Asean members have offered very little in terms of increased market access in services to India, especially when compared to what they have given to other partners like Australia and New Zealand. The 10 countries have been very conservative in their offers on allowing more access under Mode 4 to professionals, keeping the IT sector out of the agreement. Asean has offered longer visa permits and other qualification relaxations to professionals from Australia and New Zealand, which go beyond the commitments, made at the World Trade Organisation, but have refused to give similar concessions to India. Indian negotiators will now try to seal whatever little gains that they have been able to make in select services by putting in place timelines in the final schedules. °We will try to fix a date for finalisation of mutual recognition agreements in various categories so that our professional qualifications get easy recognition in the Asean countries," the official said, adding that "they would try to make similar manoeuvre in other areas. ..With the implementation of these two agreements, the manufacturers, traders, service providers and investors of India and the Asean member will be able to realize the full potential of comprehensive economic partnership between India and Asean and take the economic cooperation between the two sides to a higher level," sources added. After operationalising FTA in goods in 2011, both sides were engaged in widening the base of the pact by including services and investments.

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India-Asean FTA falters just before finalization over services pact

Dilasha Seth, Economic Times

New Delhi, 20 July 2013: India may not get its sought-after services pact with Asean this August because of concerns on both the sides as the details of the broad agreement finalised in December last year are worked out. Issues related to movement of professionals under mode 4 and mutual recognition of qualification in medical and education are learnt to be the main roadblocks, a person familiar with the development told ET.

India and the 10-member Asean (Association of Southeast Asian Nations) had in December finalised the much-awaited free trade agreement in services and investments. "The signing looks a bit difficult now. The negotiating team is legally scrutinising the text, where there are minor issues related to one or two services and investment," the person told ET. But a senior official in the commerce and ministry played down the issue. "We have had two rounds of legal scrubbing and made some progress, and signing depends upon domestic procedures of all the members. So, after it is concluded and legally scrutinized, each of the member states goes through its domestic procedures and then it will be signed," he said.

The two sides have signed an agreement for trade in goods, which benefited Asean more, giving it access to India's vast consumer market. India has a bigger stake in the services agreement, as it can help push exports to the region. The comprehensive agreement on services and goods is expected to boost trade to $100 billion by 2015.

India's exports to Asean declined by 10.2 per cent in 2012-13 to $32 billion, while imports grew by 2.86 per cent to $43.7 billion, leaving a trade gap of about $11 billion. The pact on services will help India gain some ground. Asean's share in India's IT export is a mere 5 per cent, as per estimates. Countries like Malaysia and Thailand are not keen on allowing mode 4 of the services pact, which will make entry of Indian professionals easier in their countries.

Under mode 4, Indian professionals will be able to work in the Asean nations. These countries believe that it will affect their workforce with the increased presence of Indian workers, and are opposing the agreement. "These countries apparently want Indian professionals to get an additional qualification from their countries to be eligible under mode 4 movements. It makes sense for India to sign the deal only if we get mutual recognition agreement," said an expert.

For instance, to practice medicine in Thailand, a person needs a licence from the Thai Medical Council, with the council conducting its examination in Thai, which only a few foreign practitioners can clear. While in education, foreign professionals require an invitation from the education institute that will employ them and also should meet the criteria set by the ministry of education. Some Asean countries, it is learnt, have an issue with India providing subsidies in higher education, whereas they give it at full cost price, which would give Indian professionals an edge, he added.

India wants mutual recognition agreement with Asean which will enable qualifications of professional service supplies such as engineering, medical and education among others to be mutually recognised by signatory member countries. If such an agreement is not signed at the Asean level, India would have to sign MRA degrees and licence of equivalence agreements with individual Asean members, making the process more cumbersome.

Another expert who has been part of the negotiation of the goods deal with Asean, attributed the delay more to the Asean side rather than India.

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Indian Outsourcing Firms Accelerate U.S. Hiring

Dhanya Ann Thoppil, The Wall Street Journal Europe

Bangalore, 7 August 2012: India's information-technology companies are stepping up hiring in the U.S., where a backlash against sending business offshore is gaining momentum ahead of the presidential election.

The hiring also comes as the outsourcing companies face tougher U.S. visa rules that have made it difficult to relocate Indian employees to client locations in the U.S. to carry out technology projects.

Midsize Indian software exporter MindTree Ltd. said Monday it aims to hire more Americans to staff four or five software-development centers that it plans to set up in the U.S. over the next five years. MindTree will tie up with local universities to groom students for technology jobs, Chief Executive Krishnakumar Natarajan said.

Hiring more people locally reduces risks at a time when there are signs of increased protectionism in countries like the U.S., which are suffering from slow economic growth and high unemployment, Mr. Natarajan said. "As markets become global, the ability of companies to be local to the markets that they are accessing is also important," he added.

The Bangalore-based company, which provides outsourcing services in the manufacturing, banking and financial-services sectors, is following in the footsteps of its larger peers. Tata Consultancy Services Ltd., India's largest software exporter by sales, plans to hire 2,000 U.S. employees in the current fiscal year that began in April, some 400 more than last year. Infosys Ltd., another large IT company, last month said it plans to hire 2,000 employees in the U.S. in 2012.

The recruitment drive comes as Indian outsourcing companies encounter intensified scrutiny ahead of the U.S. presidential election.

Job creation has emerged as a key issue in the campaign. U.S. President Barack Obama has accused Republican rival Mitt Romney of having shipped American jobs overseas while serving as head of private-equity firm Bain Capital and governor of Massachusetts. Mr. Romney's camp has dismissed the allegations.

India's outsourcing companies also have defended themselves, saying they are creating jobs in the U.S. According to India's main software trade body, the National Association of Software and Services Companies, the Indian outsourcing industry employs nearly three million people world-wide. In the past five years, the industry has generated 280,000 local jobs in the U.S., says Ameet Nivsarkar, vice president of the association.

Still, India's outsourcing companies continue to depend on cheaper India-based employees. At the end of June, 93% of TCS's 240,000 employees were based in India, compared with 1% in the U.S. That has caused anger in some quarters in the U.S., where unemployment is rising.

U.S. Sen. Debbie Stabenow, a Michigan Democrat, in April proposed legislation that would offer tax breaks to get businesses to hire more employees at home. The legislation, dubbed the Bring Jobs Home Act, would help companies cover the cost of moving production back to the U.S. and ban tax deductions for the expenses of moving operations abroad.

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India may move WTO against US visa fee hike by Oct end

PTI

September 23, 2012, New Delhi: India is expected to soon seek consultations with the US under the aegis of World Trade Organization (WTO) on visa fee hike for professionals, which discriminates against Indian software companies that send employees to America on short-term contracts.

Although the commerce ministry had internally started the process in April, collecting all the relevant information and data to make a strong case in the WTO is taking time, a senior official told PTI.

"But now we have finalized our case. We are putting all the evidences together. The US visa fee hike is a discriminatory move against Indian IT firms. We are expecting that by October end, we will formally file the complaint and seek consultations under WTO," the official said. The US had raised visa fee in 2010 to fund its enhanced costs on securing border with Mexico under the Border Security Act. India has been protesting against the measure at different forums.

An American law (Emergency Border Security Supplemental Appropriations Act, 2010) has substantially increased the fees for H-1B and L-1 categories of visas for applicants that employ more than 50 employee in the US or have more than 50 per cent of their employees admitted on nonimmigrant visas (called the "50/50 rule").

"... which is prima facie discriminatory for Indian companies," minister of state for commerce and industry Jyotiraditya Scindia had said earlier.

According to industry experts the H1B visa fee has been increased to USD 2,000 per visa application and L1 by USD 2,700 per visa application.

Some of the top Indian companies — TCS, Infosys, Wipro and Mahindra Satyam — were affected by the US action on visa fee. The US is the largest market for the Indian software exports.

As per the procedure of WTO, consultation is the first stage of a complaint filed with the global trade body.

Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further. After 60 days, if consultations fail to resolve the dispute, the complainant may request adjudication by a panel.

Meanwhile, New Delhi and Washington have also completed consultations on other issues in WTO that include avain influenza and steel.

In April, India had complained that the US had wrongly imposed countervailing duties, a kind of restrictive duty, on certain hot-rolled carbon steel flat products from India.

"We have asked for setting up of panel under the WTO's dispute settlement mechanism on the steel issue," the official said.

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Clinton to look into hike in US visa charges

Times of India

3 October, 2012, New Delhi: US Secretary of State Hillary Clinton has promised to take up the issue of hike in visa charges with authorities concerned in America in the light of protests by Indian software companies.

In a meeting with foreign minister S M Krishna on Monday, Clinton assured India that the US would try and "rectify" the decision, even if not immediately.

The US in 2010 announced a hike in work visa charges, including H-1 B, apparently to meet the cost of securing its border with Mexico.

Even though the decision was not country-specific, top Indian software companies impacted by the decision alleged that they were being discriminated against leading New Delhi taking up the matter diplomatically with the US.

India has also been contemplating filing an appeal in the WTO against the move.

"She has assured to take it up with the concerned and rectify,"said an Indian official after the meeting.

Government sources said though that they were not expecting the US administration to take any step immediately to address India's concerns given that presidential elections are taking place soon. Both leaders also discussed wide variety of issues including bilateral and regional issues in a frank and friendly manner.

On Libya, Clinton thanked prompt Indian response to condemn attack on Benghazi Consulate. Regional issues that came up during the discussions included Afghanistan, regional cooperation in South Asia, and India's Look East policy," said an Indian official.

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Indian IT defused US outsourcing bogey

Devjyot Ghoshal, Business Standard

New Delhi October 3, 2012:It is election time in the US. So, it's no surprise that the unwanted mantle of "outsourcer-in-chief" is being tossed back and forth between President Barack Obama and the Republican Party's Presidential nominee, Mitt Romney. Curiously though, the Indian information technology (IT) industry, a favourite whipping boy during the 2004 and 2008 White House races, has largely been spared the sharp rhetoric that it had slowly grown accustomed to, and that too in the midst of a lacklustre US economy.

There are two main reasons for this. First, the US today has bigger economic headaches than outsourcing. "The country has lost more jobs to manufacturing than to services," says T V Mohandas Pai, a former director at Infosys, "So, much of the rhetoric now is about that," he adds.

That probably explains why China's manufacturing powerhouse, instead of Indian IT, has found itself smack in the middle of the US Presidential fight. In fact, a recent study by the Pew Research Centre found that 56 per cent of US respondents feel that their government should "be tough" with China on economic or trade issues.

Hired in the USA

At the same time, the Indian IT armada, too, has evolved. In the last five years, according to the industry's apex body, Nasscom, Indian IT firms have increased their investment in US-based centres by almost 10 times.

This has meant that from having around 58,000 permanent employees in the US in 2005-2006, the headcount doubled to around 107,000 in 2010-11. Of these, three out of every four jobs are held by US nationals, and within the larger ecosystem, Indian IT has created 175,000 indirect jobs in the US. The projections are that over the next five years, the number of seats that Indian IT companies have in the US will double again, bringing with them more investments. In total, the IT industry provides direct employment to about 2.8 million people and indirectly employs another 8.9 million people. None of this, however, has happened of its own accord. Instead, jolted by the post-Lehman financial crisis, it was the Indian IT industry's scramble to move up the value chain that resulted in companies leaving behind the labour arbitrage game and getting into higher-value work that requires more on-shore presence. "The problem was that the existing business was getting commoditised," says S Ramadorai, vice-chairman of TCS, India's largest IT services provider. "Reinvention became important." As a part of this reengineering, Indian IT attempted to decrease its reliance on application development and maintenance services and branched out into consulting, enterprise solutions and other domain-specific segments, where specialised skills are required. "That is where Indian companies are hiring in the US," adds Pai, who previously led Infosys' human resources team. "And, it will increase," he says. Padmanabhan Venkataraman, the current head of Infosys' US operations and IT services delivery, says that the growth in the volume and value of business will mean that local headcount growth will continue. "Last year, we hired about 1,200 (in the US). This calendar year, we will hire up to 2,000. In total, Infosys has about 15,500 employees in the US," he explains. "We will continue to hire in this manner," he adds.

Selling the story

For Nasscom, all this has made selling the Indian IT story much easier. From the blustery 2004 election campaign, where the industry body found itself on the back foot, defending outsourcing and fighting legislations, its campaign today has grown into creating partnerships, alongside a more proactive stance. Kiran Karnik, as the president of Nasscom between 2001 and 2007, was in the thick of it when the outsourcing bogey was first raised in the 2004 US Presidential race. "The time around 2003-2004 was very tough. We had never faced anything like that before," he says. "There was a new generation in the US that had never faced job losses (due to the 2002-2003 economic slowdown) and we became a convenient target." So, few in the Indian IT industry were ready for the sharp rhetoric and related actions when it began.

"It started off in 2004, with the Benedict Arnold (an infamous US traitor) label attached to firms that sent jobs overseas. Initially, it (Nasscom's work) began purely as an effort to stop anti-outsourcing legislation. That was the single- biggest driver," says Ameet Nivsarkar, vice-president at Nasscom. "Over a period of time, it has evolved. We have created partnerships with counterpart associations, like-minded academic institutes, think tanks and researchers," he adds.

That list now includes some 20 partners, from TechAmerica (Nasscom's US equivalent) and the US Chamber of Commerce, to think tanks like the Brookings Institution and the Peterson Institute for International Economics. Yet, scores of legislative attempts that can make business difficult for Indian IT firms continue to be tabled.

"On the tactical front, this continues. Ninety-nine per cent of the Bills don't see the light of the day and a lot of times, it is just a political statement," Nivsarkar explains. "Often, perceptions are formed oninformation which is not current. Our job is not just to stop Bills, but to give them correct information. But, we have moved from a defensive position to a more aggressive one. It is important to communicate what benefits are being generated (for the US)."

"The understanding that outsourcing benefits US firms has begun to hit home," adds Karnik. "Politicians had begun to realise this earlier, and now, it is coming across to the broader public — that US companies cannot be globally competitive without outsourcing."

Yet, recurring challenges like visa allocations remain and the Indian IT industry isn't seen as a part of the US industrial complex, unlike Japanese car makers, for instance, who find themselves deeply integrated into the economy.

A new normal?

Nonetheless, Pramod Bhasin, former CEO of Genpact, India's largest business process outsourcing (BPO) firm, feels that not only has the US industry matured to realise the importance of outsourcing, particularly after the pain of the slowdown, but Indian IT service providers have also improved their offerings.

"In the past, we would do what the customer used to do," says Bhasin, "Today, we can perform tasks better than the customer. Now, it has become virtually impossible for the customer to stop outsourcing." The result has been that in the last four years, Genpact's headcount in the US has gone up almost fourfold, to about 2,000. These aren't large numbers, but growing local hiring points to a clear divergence from the traditional labour arbitrage model. Talent abroad doesn't come as cheap as in the subcontinent. Infosys' Venkataraman knows that, given that the company wants local hires to constitute at least 50 per cent of its workforce in countries where it operates, although doubts exist on how this will impact profitability. "Our experience is that our customers appreciate what we are trying to do. They want us to move up the value chain," he explains, "Margin pressure shouldn't be a big problem for us, given our focus on high-value services," he adds.

But Indian IT firms are yet to master higher-value, non-linear services — where revenue growth is detached from the headcount increase — with most companies deriving less than 10 per cent of their revenue from such models, according to a UBS report from earlier this year, and using a model with more local hiring in international markets will hit margins.

"Given that margins will shrink, they (companies) have to ensure they increase prices, but, to do that, they have to move into higher-value work," adds Karnik. "There will be some shrinkage (in margins) but you have got to accelerate non-linear work."

In a sluggish market that isn't likely to be easy, profitability will remains an issue for some firms in the middle of their transformational curve. However, what is now clear is that the noticeable political resistance to Indian IT that emerged in the last decade has now abated.

"Yes, the political risk is down, although it hasn't died out," says TCS' Ramadorai. "But for how long could they beat the same drum?"

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US presidential elections: America stays in Obamacare but unhealthy for Indian IT

Swaminathan S Anklesaria Aiyar, The Economic Times

9 November 2012: For India Inc, US President Barack Obama's reelection means mostly boring continuity, but it will be tinged with worries. An Obama victory makes it less likely that the US will fall off a so-called 'fiscal cliff' at the end of 2012.

Current legislation mandates huge spending cuts in January 2013 to reduce the fiscal deficit, and this could plunge the US into recession again. Obama is far happier with large fiscal deficits than Romney. The scale of his victory may also reduce Republican resistance in Congress to a continuation of high fiscal deficits till the economy grows more strongly. Stock markets in India and across the globe will draw comfort from this.

Democrat presidents are typically more protectionist than Republican ones. Obama has set a limit of 65,000 on H-1B visas for software engineers to enter the US, and India's share in this is just 7%. Moreover, Obama has cracked down on L-1 visas — Infosys complains that half its applications for such visas have been rejected. Obama's victory means India will face four more years of anti-visa pressure. A President Mitt Romney would have been more relaxed on this.

To be fair, Obama has resisted pressures to be more protectionist in four years of recession and high unemployment. Trade has remained mostly open, though there have been many anti-dumping measures (like sky-high duties on Indian exports of steel pipes and tubes).

But Obama wants to crack down as never before on US investments abroad that take advantage of lower taxes overseas. He also wants to discourage US investment abroad of the sort that exports jobs. India has been the recipient of precisely such investments — IBM and Accenture now have more employees in India than in the US. Stiffer tax rules on such companies could impact future investments.

A President Romney would have immediately denounced China as a currency manipulator, and sought appreciation of the Chinese renminbi. Obama will also press for this, but less stridently. India will certainly gain from a stronger Chinese currency, since Indian exporters will become more competitive.

Obama prides himself on being a green enthusiast. There is growing green pressure in the US to oblige India and China to slash carbon emissions, which are growing because of rapid increase in coal-powered electricity.

US greens want new trade barriers against countries whose imports are competitive because they have lighter environmental standards (especially on carbon) than the US — the greens call this environmental dumping. Obama will seek stronger action from India and China, but it remains to be seen how discomforting that is. Environmental dumping is not recognised by WTO rules, so it will not be easy for Obama to set up green trade barriers.

On foreign policy issues, Obama will continue to target Islamic militants in Pakistan and the Middle East through drone attacks. This will suit India. He is less likely than Romney to collude with Israel in bombing Iran's nuclear facilities, yet that possibility exists. If it happens, it will be bad for India — oil prices will skyrocket and violence will escalate in the region.

Obama has promised to back India's membership of the UN Security Council, but that remains a very distant goal. Reform of the UN looks unlikely for decades. The same holds true of reform of institutions such as the IMF and World Bank — Obama in theory wants higher representation for developing countries like India, but in practice has done absolutely nothing. We would be naïve to expect anything better in Obama's next four years.

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India-US discuss visa, domestic content issues
PTI

New Delhi, 10 December 2012: Domestic issues like hike in visa fee and recent Indian regulations in solar tech policies were raised by India and the US respectively during the high level official meeting today.

With the focus on concerns of various sections in their respective countries, Commerce Secretary S R Rao and Assistant US trade representative Demetrios Marantis discussed issues that were of interest to both the sides.

"Americans would raise issues like domestic content in some sectors in India. India would raise issues such as visa fee. So we raise our respective issues and tried to see that we conveyed a better understanding of our perspective on either side. And we hope we were successful in doing so," Additional Secretary in the Commerce Ministry Rajeev Kher said. He was talking to reporters on the sidelines of a Ficci function.

The US had raised visa fee in 2010 to fund its enhanced costs on securing border with Mexico under the Border Security Act. India has been protesting against the measure at different forums.

India is also considering to drag the US in WTO on the matter.

On the other hand, the US also time and again expresses its concern over certain Indian policies in renewable energy and clean technologies that it says inhibit investments by foreign firms, keen on collaboration with local companies. For example, under the National Solar Mission, India requires that crystalline cells be manufactured in India, a move which is strongly opposed by the US solar industry.

According to reports, India has an ambitious target of generating 20,000 megawatts of solar power by 2022. The US is especially keen on taking a slice of this market.

"Both the sides brought up the issues that were of interest to both of them and we expressed our respective views," he added.

The bilateral trade between India and the US stood at about USD 60 billion in 2011-12.

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Cameron urges India to remove barriers

George Parker in Mumbai and Helen Warrell in London, Financial Times

18 February 2013: David Cameron has urged India to dismantle trade barriers in banking and insurance in exchange for Britain making it easier for business leaders and students to come to the UK.

Speaking in Mumbai on Monday at the start of a three-day visit to India, Mr Cameron announced plans for a one-day visa service for Indian business people who needed to come to Britain at short notice.

Mr Cameron hopes the initiative will reassure investors that the UK is not becoming more hostile to Indian migrants, in spite of the prime minister's much tougher rhetoric on immigration before he left Britain.

Addressing workers at Hindustan Unilever, he also repeated his assurance that there was "no limit" on the number of Indian students who could study in Britain, provided they had a basic English qualification and the offer of a place.

Mr Cameron presented these assurances as evidence that Britain was lowering barriers to trade – although his comments on student visas was a restatement of existing policy – and he urged India to follow suit in areas including financial services and retail.

The prime minister proclaimed Britain's 21 per cent rate of corporation tax as an attraction for Indian inward investors, adding that the rate was so low that there was no excuse for companies to avoid tax aggressively. "There are some forms of tax avoidance that have been so aggressive there are moral questions," he said.

Mr Cameron said he wanted Britain to be India's "partner of choice" and is being accompanied by a delegation of 100 business leaders, academics and parliamentarians – the largest such overseas trade mission.

The prime minister also hopes British architects and contractors will play a leading role in developing a corridor of business and housing between Mumbai and Bangalore, two of India's main economic powerhouses.

Before he left Britain, Mr Cameron was warned against giving two different messages on immigration ahead of his visit.

John Cridland, head of the CBI employers' organisation, said there was "a real risk" of mixed messages arising if Mr Cameron and fellow ministers did not make it clear that Indian students are welcome and make a valuable contribution.

Last week Mr Cameron upped his rhetoric on immigration at the Eastleigh by-election, saying that the UK could not be seen as a "soft touch" and vowing to restrict access to healthcare, housing, benefits and legal aid for migrants.

Mr Cridland, who is part of the business delegation, acknowledged Mr Cameron's dilemma in trying to find language to satisfy his Indian hosts, British business leaders and voters in Eastleigh.

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Anti-outsourcing talks hurt everyone

Seema Sirohi, The Financial Express

8 March 2013: In America, you don't get anything unless you ask for it. But what you can sometimes get without asking is punishment, however inadvertent.

The immigration debate shaping up in Washington contains within it ideas against outsourcing that could come back to bite India, Indians and Indian companies. Unless, of course, they are met with an intelligent counter-strategy.

The debate is mainly about the 11 million illegal immigrants in the US, most of them from Mexico and Central American countries, and how to absorb them into the system without upsetting too many 'vote banks'. A small but important part of the debate is about "high-skilled" foreign workers, H1B visas and green cards, which impacts Indian companies. In other words—it's about outsourcing.

President Obama, unfortunately, made outsourcing a weapon against his rivals in both election campaigns. He used it effectively against Mitt Romney, calling him the outsourcer-in-chief for farming out work to "China and India" through his investment firm, Bain Capital. The often toxic rhetoric worked well, making the

"O word" a false repository of much that is wrong with the American economy and the high unemployment figures. Many of his Democratic party colleagues in the US Congress followed his lead. But now the campaign is over and it is time to take a realistic view. Outsourcing is a concern but it is not the reason for unemployment in the US. There is a shortage of high-skilled workers and bringing them on temporary visas is a solution. Therefore, penalising Indian IT companies with gratuitous visa fee hikes or specific rules that apply only to them is bad politics. But that is what might happen as various draft bills make their way through the process with senators and congressmen adding their pet provisions before hammering out a comprehensive piece of legislation.

Indian IT majors are particularly worried about what is called the 50-50 rule: if you employ more than 50 people and 50% of those are on H1B or L1 visas, you could be liable for even higher visa fees. Those fees were already raised in 2010 to $4,500 per visa to finance better "border security" against illegal Mexicans under a plan devised by senator Charles Schumer of New York who derisively dubbed Indian companies as "chop shops."

It was about stopping one set of immigrants by squeezing another with what essentially was free money. The 50-50 rule affects only Indian IT firms, not US companies, because H1B visas are generally less than 50% of their workforce. This is where it all gets murky. Who should lead the fight for the free movement of high-skilled professionals? Should the US Chamber of Commerce take a stand or should NASSCOM be in the forefront? What about CII and FICCI, both of which maintain offices here? And what of the US-India Business Council? Or should the government of India find it necessary to ask for fair treatment for the one industry that launched India on the global stage?

What is not a strategy is humming and hawing and waiting. A serious lobbying effort is necessary to stop other senators from following in Schumer's easy steps. It should be a matter of principle to oppose service sector protectionism especially when it comes from the US, the world's largest exporter of services. Shying away now would only kick the ball down the road.

Eminent economist Jagdish Bhagwati was right when he exhorted the Indian-American community to take the outsourcing bull by the horns and demand an end to the negative rhetoric. His statement at a

recent appearance at Carnegie Endowment is worth pondering. “We haven’t learned to convey disaffection,” he said of the Indian diaspora. President Obama won’t do anything unless he is told that anti-outsourcing talk is net negative. Bhagwati blasted the Indian community for not getting into the thick of the immigration debate to demand its due. It should ask for the expansion of the H1B programme. “The President is focused only on the Hispanics. But where is the Indian community?” he asked.
Bhagwati wasn’t advocating a confrontation, only an effective articulation of the community’s needs. Alas, many of the heavy-weight Indian donors are content with photo-ops and a mere “darshan” of the politicians. Indians in general can’t seem to get their heads wrapped around the concept of lobbying despite having seen the US system work. Whether it is the Indian government or Indian companies, there is faint derision and a reluctance to trust lobbyists even after hiring them. The result is a frustrating ambiguity about both goals and the means to achieve them.

It is an almost unknown fact that Indian companies have created thousands of jobs in the US. Even by the reckoning of William Burns, US deputy secretary of state, the number is 50,000 and most of these jobs are thanks to Indian investments which total more than $5 billion. A 2011 CII survey of 35 Indian companies in the US showed they employed 60,000 people of whom 80% were locally hired. The survey was by no means a complete one because neither the CII nor the Indian government has a roster of all the companies operating in the US. The US Commerce Department does but it hasn’t made the information public.

A 2012 NASSCOM study said the Indian IT sector in the US created 107,000 jobs and supported 280,000 others over the past 5 years while paying a cool $15 billion in taxes to the US Treasury. Yet, one rarely hears US senators talk about the positive side. There is enough capital for all to get out in the front and engage with each other.

The author is a senior journalist based out of Washington

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Another US bid to curb H-1B hiring

Shilpa Phadnis, The Times of India

Bangalore, 31 March 2013: The rhetoric against outsourcing and immigration in the US was expected die down after the presidential election. However, a section of US lawmakers is still trying to place immigration hurdles. And the latest bid is from US Senator Charles Grassley, who has introduced a new H-1B and L-1 Visa Reform Act 2013 that would require US companies to pay significantly higher wages to H-1B visa holders over their American peers with similar experience.

Some estimate the recommended wages would be up to 50% higher than the prevailing US wages. Given that Indian IT companies are the biggest users of this visa, the bill, if passed, could substantially increase the costs for these companies.

The bill, put together by a bipartisan group of senators, requires firms to make a good faith effort to hire Americans first over H-1B visa holders. But the biggest impact of the bill will be to make it cost prohibitive and burdensome to hire a foreign national.

In a statement issued last week, Grassley said, "Somewhere along the line, the H-1B programme got sidetracked. It was never meant to replace qualified American workers, but it was instead intended as a means to fill gaps in highly specialized areas of employment. When times are tough, like they are now, it's specially important that Americans get every consideration before an employer looks to hire from abroad."

Rahul Matthan, founding partner at law firm Trilegal, said that if the bill is passed, Indian IT companies would be challenged as their US clients rely heavily on their services for onsite work. "The bill restricts market access, and it's clearly protectionist, fulfilling a political charter."

Rakesh Prabhu, partner, immigration practice, at ALMT Legal, said the move would force IT companies to set up near-shore centres and hire more locals. "It chokes the provision of offering specialized services, playing down India's strength in IT services. They want to fill the gaps with the local talent pool," he said.
The proposed bill prohibits employers from advertising only to H-1B visa holders and outsourcing them to other companies. It has even increased administrative expenses per violation from $1,000 to $2,000 and from $5,000 to $10,000 for willful misrepresentation.

In 2010, the US had raised H-1B visa fees by as much as $2,000 per application and L-1 visas fees by $2,700 to fund its enhanced costs on securing its border with Mexico. India had moved the World Trade Organisation (WTO) against the visa fee hike, saying that it discriminates against employees of Indian companies who are on short-term contracts in America.

The pitch for protecting American jobs began after unemployment rates neared double-digit levels following 2008 sub-prime crisis. It reached a crescendo in the months leading up to the US elections in November last year. Though the US unemployment rate remains high at 7.7% now, the unemployment rate in the technology sector is said to be significantly lower.

Tech companies in the US have been lobbying to significantly increase the number of H-1B visas. The US government currently has a bill before it seeking to raise the H-1B cap from 65,000 to 1.15 lakh. How US lawmakers deal with these conflicting bills will have major implications Indian IT companies.

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U.S. Visa Shortage Balloons Indian IT Costs

Dhanya Ann Thoppil, The Wall Street Journal Blog

5 April 2013: Getting work visas in the U.S. is likely going to be more difficult for India's outsourcing services companies, a prospect which could increase their costs.

Earlier this week, U.S. employers and government officials predicted they may reach a limit on the yearly allotment of applications for skilled-worker, or H-1B visas, by Friday for jobs starting in October or later.

U.S. companies each year can sponsor a total of 65,000 foreigners with at least a bachelor's degree for a H-1B visa. If this limit is breached, the U.S. Citizenship and Immigration Services randomly selects applications to be considered for visas.

While the trend may point to a more buoyant U.S. economy, which is good for Indian firms like Tata Consultancy Services Ltd, Infosys Ltd. and Wipro Ltd. who make the bulk of their profits from American clients and have suffered due to a slowdown in the U.S., it is likely to raise their costs in the short term.

Up to 30% of the H-1B visas allotted each year are sponsored by the U.S.-based offices of Indian outsourcing companies, which employ thousands of Indian workers on technology projects, says India's main software tradebody Nasscom.

"Certainly the demand environment in the U.S. is picking up," says Krishnakumar Natarajan, vice chairman of Nasscom. "So, the demand for visas from Indian IT companies this year is more than last year."

Indian companies say they will have to turn to short-term U.S. hires to fill job vacancies, which will cost more.

"If the visas are not available, we will have to depend on subcontractors in the U.S. in the short term," said a senior executive with one of the top Indian outsourcing companies. "There will be some additional costs, but that's manageable."

Some analysts disagree. The cost of hiring a contract worker in the U.S. is at least twice that of a H-1B visa holder, says analyst Shashi Bhushan of Mumbai-based brokerage Prabhudas Lilladher.

Sub-contracting costs for Infosys, India's second-largest software company by sales, jumped to the highest ever level in the final quarter of 2012, or 4% of revenue, he adds.

Sandeep Muthangi, an analyst with Mumbai-based brokerage IIFL Capital, says hiring sub-contractors in the U.S. may raise the overall cost of operations for Indian IT providers by more than 10% a year.

Executives at India's largest software exporter by sales Tata Consultancy, Infosys and third-ranked Wipro declined to comment, ahead of quarterly earnings, due over the next two weeks.

The likely shortage of H-1B visas comes as India's outsourcing companies have stepped up hiring in the U.S. in the wake of concerns from members of U.S. Congress about foreign software workers displacing Americans from jobs.

However, Nasscom argues Indian IT firms find it hard to find skilled U.S. workers to do these jobs as unemployment in the technology sector in the U.S. is lower than 3%. Those they do find are costly to hire, it adds.

"This shortage will not go away any time soon. In fact, as the economy strengthens, the gap will grow" as competition to hire technology workers in the U.S. increases, says Peter Schumacher, president and chief executive of Germany-based management consulting firm Value Leadership Group Inc.

Fragomen Global Immigration Services LLC, a U.S.-based immigration services firm that advises more than 90% of India's outsourcing services companies, says more Indian companies are sponsoring H-1B visas now in anticipation of a recovery in demand for software services later this year.

"Most companies expect a recovery in demand for software services in the U.S. this year. So they want to be prepared," says Saju James, a partner with Fragomen in India.

Meanwhile, the U.S. Senate is moving closer to a broad immigration bill that is set to revamp a series of work-visa programs, among other things. The Senate bill also includes a proposal to increase the number of H-1B visas granted each year.

But some Indian executives fear a growing climate of protectionism in the U.S. that may end up making it harder to get H-1B visas.

U.S. Senator Charles Grassley, a Republican from Iowa, last month proposed a bill that aims to make it harder for Indian companies to acquire visas for workers they send to America.

The law, some parts of which Indian executives fear could make it into the broader immigration bill, seeks to deny new skilled-worker visas to those firms with more than 50 employees and 50% or more of its employees already on this visa. It also asks companies to pay prevailing U.S. wages to visa holders, ensure more scrutiny and seeks to raise penalties on those companies flouting existing visa rules.

"There are fears that the new immigration bill could bring in some restrictions. So, companies are trying to grab as many visas as they can under the old regime," the executive with the technology firm said.

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US professional visas Bill may fall foul of global trade rules

Amiti Sen, Business Line (The Hindu)

21 April 2013: A Bill by a group of US senators seeking to put curbs on professional visas to foreign workers could be violating global trade rules, a Government official has said. India would take action if needed, the official added.

IT majors including Infosys, Wipro and TCS will be hit if the proposals, including a steep penalty on companies that hire a greater number of workers on H1B and L1 visas compared to local recruits, are implemented.

"The draft Bill is at an initial stage. We do not have to act just now. But the contents certainly seem to be against the provisions of the General Agreement on Trade in Services. We have kept a strict watch on the developments and would take action when required," the official said.

According to the provisions of the Bill, if an employer has 50 or more staff, and if more than 30 per cent (but less than 50 per cent) of them are on H1B or L1 visas, a fee of $5,000 for each additional worker will have to be paid. In case the number of workers on such visas cross 50 per cent, the fee would go up to $10,000. H1B is a work permit for temporary speciality workers, while the L1 visas are issued for intra-company transfers that allow companies to relocate qualified employees to US offices.

Apprehensive

A number of Indian IT companies have publicly expressed their apprehensions, saying the Bill would affect them adversely.

Some trade experts have endorsed the Government's view that the Bill may have violated World Trade Organisation rules. "Under the GATS, the US is obliged to issue 65,000 work visas to foreigners every year. It cannot put conditions on that," pointed out Biswajit Dhar, Director-General, Research & Information System.

Although the draft bill also proposes to increase the number of H1B and L1 visas to 205,000 from the 85,000 issued now, the increased number will not lead to a relaxation of obligations imposed by the WTO. "There are a set of rules governing the issue of H1B visas and L1 visas and these have to be followed uniformly. The US cannot say that it would not penalise companies while issuing 65,000 visas and the penalty would kick in after the threshold," Dhar said.

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'Mobility is a trade concern, not a political issue'

The Times of India

Bangalore, 4 May 2013: Mobility -- the entire gamut of immigration, visa compliance, people movement -- is extremely critical for tech businesses today. It's a pure trade issue and not a political issue, said Som Mittal, president, Nasscom.

"The US should consult the bilateral clauses available under the WTO and GATT (general agreement on tariffs and trade) before the final wording of the bill is done. Else, it will have devastating implications for both the economies," he said.

Referring to the Comprehensive Immigration bill that is in the making in the US, he said the US should not try to introduce trade restrictions on India. Such a move will eventually lead to trade wars between the two countries. "India is a large retail market that the US can never ignore. Some 70% of IT, hardware and software products that are consumed by India are developed by US companies. Ignoring this will impact the competitiveness of the US economy," he said.

Nasscom has started seriously lobbying with people at the ground level, including closely interacting with people who worked on the bill."The immigration bill is a special charter for us. The government has also taken up the issue.

Together we can make our voice heard by the US administration," Mittal said. "All said and done, it is a serious bill, may be passed eventually as well. We are lobbying hard with authorities to change the discriminatory elements and the language used in the draft.

We are expecting some serious alteration to happen so that more clarity is brought in, else this is going to be a lose-lose scenario for everyone and no one will win. There will be long-drawn debate on the bill," he said."The debate around the Comprehensive Immigration Reform bill is going to be intense," said Eamonn Dornan, a US immigration law specialist.

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US bill on H1-B clears first hurdle

Yashwant Raj, Hindustan Times

Washington, 22 May 2013: The US immigration bill that intends to restrict H-1B visa-dependent Indian IT firms‟ ability to hire more foreign workers, including people from India, crossed a key hurdle on Tuesday, making it through the senate committee. The bill now goes for a vote on the senate floor -- sometime in June -- which will be neither easy nor quick, with a slew of amendments expected.

If it passes, the House of Representatives will either take it up in its present shape or come up with its own version. The two versions will then be merged for the President's assent.

The bill seeks to make it difficult and costly for companies to bring in non-US workers on H-1B (temporary working permit for high skill workers) and L-1 (intra-company transfers) visas.IT companies such as Wipro, Infosys and TCS, which depend on heavily on H-1B workers, will resultantly find it harder and costlier to operate here.

The bill almost doubles annual cap on H-1B workers from the current 65,000. This should be good news for Indian IT firms, but the bill also makes sure that heavy H-1B users such as the Indian firms are unable to hire more foreign workers, with a staggered system of escalating caps and costs.For instance, no more than 75% workers can be on H-1B or L-1 in 2014, 65% in 2015 and 50% from 2016 -- those over those limits cannot bring more foreign workers.

Indian firms are clearly the target. Commerce secretary S R Rao has written to the US Trade Representative calling these restrictive provisions of the bill protectionist in nature.

Indian techies looking to work in the US could, however, expect to be hired by American companies that are forced to recruit overseas because of a shortage of workers here.

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US immigration Bill may hit American firms more: Nasscom

Business Line (The Hindu)

Chennai, 18 June 2013: The new immigration Bill in the US may not have any adverse effect on India's IT business, observed the IT trade body Nasscom.

Addressing the media on the sidelines of a seminar, Nasscom Emergeout Surge 2013, held here today, Som Mittal, President, said there is a huge shortage of technical resources in the US. There are some positive aspects in it too.

"If this Bill sails through, the biggest impact will be on our customers there in the US, as Indian companies are working for large US corporations that are going through a transformation. They are batting for us there," he said.

He also pointed out that it is only at the beginning of a very long process of the Senate Bill. Also, there is a completely new Bill being developed in the House there which contains many favourable aspects, Mittal explained.

Nasscom hopes that the House Bill will be more moderate and will not have the same amount of discrimination that the Senate Bill has. "Besides, India is also very strategic to the US in a lot of ways. Our IT people go their and sustain the US economy by renting places there and by offering jobs to local people. In the last five years, we have contributed more than $15 billion by taxes and social security there," he pointed out.

Talking about the IT industry's growth, he said, driven predominantly by newer geographies, newer verticals and consumers, it is expected to grow at 12-14 per cent in the next few years and would touch $335 billion by 2020. Of this, the IT services industry alone would be to the order of $225 billion by then, said Mittal.

Emerging Markets

The IT industry is bullish about its growth prospects. The industry, which is currently growing at 10-12 per cent, would focus more on new emerging markets such as Latin America, Asia-Pacific, China, Japan and Africa. However, he said, "The growth in newer geographies will not be at the cost of our exports to existing markets, but will only be in addition to them."

For example, he said, countries such as Japan and China account for only 3 per cent of India's IT services export at present, and "hence there is enormous potential to grow our exports to these markets".

According to him, the US and Europe alone currently contribute 90 per cent to India's exports, while the remaining 10 per cent comes from all other geographies. By 2020, new emerging markets will contribute at least 20 per cent of the increased pie, he said.

Similarly, he said contribution from newer industry verticals such as utilities, transport, healthcare, media and entertainment will also go up substantially. As of now, almost 80 per cent of the export revenues of the industry is from verticals such as banking and finance, telecom and manufacturing.

Bigger Market Segment

Besides, by focusing more on "consumerisation" of technology, the industry can tap a bigger market segment. The ubiquity of connected smart devices has caused an evolution and convergence of four powerful forces - social, mobile, analytics and cloud. These forces have reoriented the business model of traditional IT firms to move towards creative solutions that help clients' businesses grow, he said.

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Indian IT industry pins hope on House as Senate passes immigration bill

Business Standard

Bangalore/ New Delhi/ Mumbai, 29 June 2013: With the passage of the Comprehensive Immigration Reforms Bill by the US Senate, the Indian information technology (IT) outsourcing services industry is now pinning its hope on the House of Representatives, which has prepared its own version of the Bill. The House is expected to propose its own version of the Bill that does not have restrictions that have negative impact on both US corporations and Indian companies. According to industry insiders, in case the House decides to stick to its own Bill, they would have to find out a middle path. “I think it is too early to make a judgment. The House, which is dominated by Republicans, is preparing its own version of the bill which does not have any punitive provision. When the provisions of the two bills are different, they would have to find out a middle path, follow the process all over again,” said Krishnakumar Natarajan, chief executive officer (CEO) and co-founder of midsize IT services company, Mindtree. “It is absolutely clear the Senate Bill in its current form will not see the light of the day,” he added. IT industry body Nasscom said it is quite hopeful the final contour of the bill would be much more balanced than it is at present. “We are working on the House side, where the bill language is a less harmful to global companies and the US customers and are confident we would have a more balanced bill in the House,” said Som Mittal, president of Nasscom. The Senate Bill, in its current form, is expected to limit the ability of global IT companies (including Indian) to send employees to the US to service clients. The bill is expected to make it harder and costlier for Indian tech firms to use H-1B workers in their US operations. “The immigration bill has to go through multiple stages. The first stage has been cleared. The whole version of the bill has not been released. The bill has implications for us, but we will have to wait for its final version before we make a comment,” said N Chandrasekaran, CEO & managing director of TCS, India’s largest IT services company.

According to the Senate Bill, if an employer has more than 50 per cent of their employees on H-1B or L-1 visas, they would be required to pay $10,000 fee per additional worker. So, it is expected to affect most of the large Indian IT services companies including TCS, Infosys and Wipro. Nasscom has said provisions of the senate Bill have arbitrarily singled out a group of multinational IT companies which amount to punitive treatment of this industry. “This fails to recognise the vital services global IT services companies deliver; the innovation and competitiveness they have spurred in thousands of US businesses, and the investments these global IT services companies make in the US,” said Mittal.

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How IT became competitive

T S Vishwanath, Business Standard

22 November 2012: A working paper on the Information Technology Agreement-I, or ITA-I by Murali Kallummal at the Indian Institute of Foreign Trade's (IIFT 's) Centre for WTO studies provides some interesting insights on the impact of the plurilateral agreement on India's export of information technology-related services.

ITA-I includes 74 member countries of the World Trade Organisation (WTO) and covers nearly 97 per cent of world trade in products that have been liberalised under the agreement. According to the agreement, India has completely liberalised trade in these products – in phases – starting in 1997 and ending in 2005. India had to an extent backloaded its commitment and, therefore, carried out maximum liberalisation in 2005.

ITA-I covers a variety of areas, including computer software, information systems, computer hardware and programming languages. The agreement, which covers over $4 trillion of global trade, is touted as an important instrument in increasing global trade, and is viewed by many as the main reason for the increasing growth of India's software industry.

Interestingly, the IIFT paper, "ITA – The Indian Experience", suggests that the viewpoint that India's software exports emerged competitive owing to the ITA agreement does not hold water. The paper specifically states that this notion "has been proved completely misplaced and has no basis".

The paper goes on to state that the "two major objectives of ITA was to increase trade and competition through trade liberalisation for information technology products, and, second, to improve global diffusion of information technology. These have only been partially achieved, as there has been concentration of trade in [the hands] of few players after the formation of the agreement. Another critical aspect that emerges from this study is the impact on overall employment in the context of a decrease seen in indigenous contents, in a growing export market of information technology products; this only substantiates that there has been a reduction in local value addition, subsequently leading to an adverse impact on employment-generation capacity by this sector."

The study then proceeds to make a case that the software industry in India primarily owes its growth to the policies adopted by the Indian government since the late 1980s.

The study's views are based on the fact that the first Computer Policy of 1984 and the Software Policy of 1986 emphasised the concept of software development and export through data communication links. "The objective of this policy was to develop software in India using Indian expertise on sophisticated computers, which were being imported duty-free. This way, one could make use of the low-cost expertise available in India and avoid the expense of time and cost in travelling abroad."

Following the economic liberalisation of 1991, the government established the software technology parks of India (STPI) scheme, and opened several software parks around the country. These parks have played a critical role in the growth of India's software sector, the study states.

The study conclusive states that the emergence of a strong Indian software industry occurred owing to the concerted efforts on the part of the government, particularly since the 1980s, and host of other factors like government-diaspora relationships, private initiatives, emergence of software technology parks, clustering and public-private partnerships.

The IIFT study is of the view that the role of the government from a facilitator to a regulator continues to remain vital for the development of the software sector in India. Several analysts, however, hold a contrarian view that India's software sector has primarily been driven by the private sector, and the government actually needs to step up its effort to help the industry move up the value chain.

While the government does pay a lot of attention to the software industry during any negotiations for a free trade agreement, there seems to be a lack of strategy for moving up the software industry to the next level of innovation and product development. While the industry has to keep up the momentum, it will be important for the government to look at providing a vision to ensure that India uses the various free trade agreements to move up the value chain in the software sector.

Given the fact that the only service where India has been able to draw the world's attention has been information technology and information technology-enabled services, it is pertinent to develop a strong vision to stay ahead of other competitors globally.

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IT exporters adding revenue with fewer new employees

Pankaj Mishra, Livemint

25 November 2012, Bangalore: For the first time in over two decades, India’s $70 billion software exports industry is now generating every additional $1 billion in revenue with less than half the number of engineers it needed till 2003—an early indication that the country’s top technology firms are earning more from high-end projects that require fewer people.

In 2003, when India’s software exports was worth just $9.5 billion, firms such as Tata Consultancy Services Ltd (TCS) and Infosys Ltd needed 37,798 engineers to earn $1 billion. In the year ended March, the industry added 19,783 people for every additional $1 billion in revenue, according to industry lobby Nasscom.

An increasing share of high-paying services that need fewer staff, a shift away from low-end, voice-based back-office services, and an overall slower demand for software services are bringing about this change. For nearly one million students set to graduate from engineering schools next year, it means fewer opportunities.

“This is a very progressive fact for the Indian IT (information technology) industry. This shows that the industry is doing a lot of things right, and that increasing maturity of the industry has also brought in a significant amount of pragmatism in the mix,” said Achyuta Ghosh, head of research at Nasscom. During 2008-12, software exports grew 14%, higher than the 9% growth in employees in the four years, the lobby group said.

Already, firms such as Wipro Ltd say staff needed to generate every $1 billion can be reduced further. Executives at some of the largest Indian software firms confirmed internal goals to bring down number of engineers required to earn a billion dollars to less than 15,000 in two-three years. “We have been selling offshore development centres all our life. Now it’s time for innovations,” said Saurabh Govil, senior vice-president, human resources, Wipro.

Offshore development centres were dedicated facilities that housed hundreds, sometimes thousands, of engineers writing and maintaining software codes for customers such as General Electric Co. till a few years ago. These customers paid for services based on the number of hours billed by each engineer. Now, some customers are asking for payments to be linked with business outcomes and not the amount of manual effort.

“For the past 10 years, our industry has built campuses and other facilities, all focused on the supply side,” Govil said. “Now we are moving from managing demand to creating demand for our services.” While Infosys has said it will earn one-third of its revenue from products and solutions that do not require additional staff in two-three years, TCS is already earning 10% of incremental business every financial quarter from services that are not dependent on the number of engineers.

“I am not saying that the current business model is bad. There’s nothing wrong in becoming a 500,000 people organization, but our investments in non-linear initiatives are equally important,” N. Chandrasekaran, chief executive of TCS, said in an interview in October.

TCS is betting on software platforms owned by its UK subsidiary Diligenta to win more business without adding fresh staff. Software platforms can be used over and over again for different customers, without adding any dedicated staff.

Phaneesh Murthy, chief executive of iGate Corp., said bringing down the number of people further for every $1 billion of revenue depends on the willingness of large customers to adopt these platforms. His company aims to achieve $3 billion in revenue by 2017, and Murthy hopes that at least 30% of that could come from iTops—iGate's software platform. "If that happens, we would be looking at revenue per employee of around $60,000, up from nearly $40,000 currently," said Murthy.

To be sure, Indian tech firms' efforts to reduce dependence on engineers are dwarfed by newer rivals such as IPsoft Inc. that are far ahead. For instance, IPsoft uses humanoids that automate and deliver IT projects at a cost that is less than one-fourth the billing rates of engineers. This year, IPsoft will cross $1 billion in revenue with less than 2,000 staff.

Experts tracking the sector said the proportion of fresh engineering graduates and those with less than three years of experience has been coming down for TCS and Infosys—two of the biggest software exporters.

The proportion of employees with less than three years experience has come down to 35% for Infosys and 40% for TCS, according to Kawaljeet Saluja, Rohit Chordia and Shyam M. of Kotak Institutional Equities Research. Both the companies had fresh engineers accounting for more than half their total workforce until 2006, the Kotak analysts said in their 16 November report.

For nearly three million employees in the sector, and for those aspiring to join these tech firms after they graduate, the changing profile of the industry raises some tough questions.

"Commoditized IT skills are taking us nowhere. Even arts and commerce graduates are now hired by Wipro, others. And they earn similar salaries," said Akhilesh, who works as a software programmer with the Indian unit of International Business Machines Corp. He did not want his surname taken as he is not authorized to speak to the media.

Aspiring software programmers, however are increasingly turning anxious. "We speak to our college seniors from two years ago, and some of them are still not placed despite offers from Infosys etc," said Shruti S., who is studying computer science at a Bangalore-based engineering college.

Nasscom said that despite increased focus on delinking revenue growth from fresh hiring, the industry needs in excess of 200,000 graduates every year. "This trend of non-linearity and higher value-add and productivity effects will ensure the industry does not stagnate," said Nasscom's Ghosh. "There will be career paths in place, skill sets will keep evolving, and the industry will always look for new challenges rather than just remaining a commodity business."

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Bali Ministerial December 3

Washington Trade Daily

Geneva, 12 December 2012: The World Trade Organization's ninth ministerial meeting will commence on December 3 next year in Bali – and continue for four days, members decided yesterday at their year-end General Council meeting (WTD, 12/12/12).

General Council chair Elin Østebø Johansen told members that the ministerial will strictly adhere to three principles – full participation, inclusiveness and transparency – as was the case with the last two ministerial conferences in Geneva. She said governments that wish to put proposals or core recommendations for consideration by ministers in Bali must do so on the notion that they secure consensus.

The chair urged members to complete work well in advance for the ministerial conference.

At yesterday's meeting, coordinators of several groups – including the Arab group, the "cotton" four countries, the African Group and small and vulnerable economies – issued a strong message that the ministerial deliver on the "development" mandate of the Doha Development Agenda.

After the meeting, US Ambassador Michael Punke commented to WTD – "We are looking at two things. We are looking at the scale of people's proposals in terms of short-term work and we are looking at do-ability. So we are willing to engage with anybody and everybody and those are the criteria."

On other issues discussed in the General Council, members were in near unanimity in criticizing Ukraine for saying it intends to renegotiate 371 tariff lines (WTD, 12/3/12). The deadline for the Ukrainian request for Article 28 consultations is today.

In a separate development, members approved the Kimberly waiver process for diamond trade until 2016 (WTD, 11/7/12).

WTO Director General Pascal Lamy told members that cotton development assistance had reached $1.2 billion out of a promised $5.4 billion (WTD, 12/10/12).

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WTO services talks progress; China, Brazil, India still hold out

Market News International

14 December 2012: An initiative by 47 rich and emerging economies to negotiate a trade pact to slash barriers to trade in services has posted substantial progress with the participants agreeing in principle on a blueprint framework on how to broker a global accord but still face foot dragging or opposition by key emerging market nations.

The talks, which are strongly backed by U.S. and European services conglomerates, especially major financial services providers on both sides ofthe Atlantic, came up with the blueprint after a week of closed door talks here last week, but have to date been snubbed by giant emerging economies such as China, India and Brazil.

"I think this will receive a warm reception in Washington ... U.S. companies are very interested in getting this done. And this should be not oneof those that creates (problems)," Samuel di Piazza, chair of the U.S. Coalition of Services Industries (CSI), an umbrella group, told MNI.

Top trade diplomats tracking the talks, speaking on the condition of non attribution told MNI the objective is to launch the negotiations officially inMarch and for participants to start putting forward offers in May.The talks are spearheaded by the United States and backed by the European Union, Japan, Australia, Hong Kong, Turkey, Switzerland, Panama and Colombia, among others.

Di Piazza, who is also vice chair of Citigroup's Global Markets Inc. institutional clients group, said in an interview that Washington "has been very supportive ... so we're hopeful." And "there's no question, Wall Street would like to see this done."

Exports of commercial services such as banking, insurance, telecommunication, transportation, retail and energy, among others, grew by 11%last year to $4.1 trillion, according to WTO data.The United States is the top services exporter with $578 billion, followed by the United Kingdom with $274 billion, and Germany with $253 billion.

CSI President Peter Allgeier, a former senior U.S. trade negotiator, told MNI "this is the first real effort in negotiating on services in years.

Certainly, since probably the (WTO) ministerial in 2008, and its important. First of all, there is a large number of countries that is involved that account for 70% of world trade in services, and also it is a first look really at the new landscape," since the Uruguay Round liberalization talks from 1986-1994.

One of the focal point of the talks, sources say, is to try and ensure countries make commitments that allow majority equity for foreign investors in a host of service sectors from banking and insurance to telecom, energy, courier and retail services.

Di Piazza said, "Equity caps has to clearly be one of the issues the negotiators have to deal with otherwise the agreement is not a comprehensiveagreement."Frankly, business would like equity caps to go away. The question is how do you get to that place, what sectors, and whether it's realistic to put that as a minimum. But equity caps is an issue for service companies," he added.

EU Trade Commissioner Karel de Gucht, talking to reporters in Geneva Thursday, said the goal of the plurilateral talks on a trade in services agreement is "to make sure it's a deal, if it comes about, that can be easily multilateralized" and anchored on the World Trade Organization's General agreement on Trade in

Services.

That initiative was launched because efforts in the Doha round of trade liberalization talks were bogged down because progress in the services segment was linked by emerging countries to movement in other areas of the negotiations such as agriculture and industrial tariffs.

With regards to the ambivalence of major emerging powers, such as China, De Gucht said:"In the end its not our fault that China would not become a member. It's not because they do not want to become a member, that we should stay quiet or standstill that's not good either."

A Chinese trade diplomat told MNI, "China is not interested at all" in the plurilateral services talks. Moreover, in a recent WTO forum, China said itsposition "on this controversial issue has not changed so far."

However, top services industry executives monitoring the talks are of the view that if China shifted and came on board, it would be very hard for Brazil, India and others to stand on the sidelines.

A top European executive told MNI his assessment, at the moment, is that the so-called BRICS nations - Brazil, Russia, India, China and South Africa - will not join the services intiative. "They're watching carefully, but we don't expect them to make it," he added.

Pascal Kerneis, managing director of the European Services Forum, an umbrella group, said the initiative "has come a long way" and he expects thenumber of countries taking part to grow.

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India says no to WTO agreement on IT, environment

PTI

New Delhi, 13 January 2013: India will not accept any agreement on IT and environmental goods which is being proposed by a group of developed nations at WTO, as it would adversely impact the domestic industry, a top official said.

Rich nations, including the US, want India and other emerging economies to be part of the four major sectoral pacts – trade facilitation (TF), information technology (IT), environmental goods and international services agreement.

“On IT and environmental goods agreement, India has clearly showed its reluctance. We are against this approach. On TF, we have not said no, but we are viewing the situation and on international services agreement, we will continue to observe it from a distance and later on take a view,” the official said.

On these four matters, developed countries wants to go plurilaterally. In other words, the trade benefits arising out of such an agreement will be shared only by signatories.

The plurilateral agreement on these issues that the US and Europe seem to be eager to ink would exclude the interests of developing and the least developed countries, the official added.

The official also said that the developed economies instead of focusing on the issues of Doha Round, they want to sign agreements which would benefit more to them instead of developing and least developed nations.

“IT is a sectoral agreement, environmental good will be a sectoral agreement. So, effectively what they are doing is they are cherry picking sectors where the developed world is strong and getting you to agree to those elements because if you do not agree today and if you decide to join the agreement tomorrow there will be a cost to be paid,” the official added.

Explaining how rich nations are pushing their own agendas on poor and developing economies, he said that under the IT agreement, they want to include 357 products out of which 50 items belong to non-IT category like washing machines, refrigerators and window AC.

Similarly 136 are dual use products in which developed countries have suggested to eliminate duties. There are another 50 items on which domestic industry has expressed serious sensitivities.

“One of the objectives of (developed world) all these four proposals is to cash them and then forget Doha and that is what exactly we do not want to happen. That is one the main reason why we are acting soberly and with so much of caution … once you harvest these agreements, there is nothing left in Doha for countries like the US,” he said.

Big differences between developing and developed countries have bedevilled the WTO talks, which were launched in 2001 in the Qatari capital with the goal of helping poor countries prosper through enhanced trade.

India has also rejected the US allegation that developing countries are seeking significant concessions for pushing the global trade deal under WTO. Rich nations are hampering the conclusion of Doha Round, stalled since 2001, the official added.

“The US and other developed nations are again bringing those issues which were agreed earlier and are also pushing new agendas like trade facilitation, international services agreement and information technology,” the official said.

The official was responding to the comments made by US Deputy National Security Adviser for International Economic Affairs Michael Froman, who is tipped to be the next US Trade Representative.

Froman is reported to have said that “a small group of middle income countries particularly India is standing in the way (of concluding Doha Round of talks) because they want to be ‘paid’ by developed countries for agreeing to something that is beneficial to the global trading system, especially poorer countries”.

The negotiations have seen numerous deadlines come and go amid basic disagreement over rich-country farm subsidies and access to developing-country markets for manufactured goods.

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India to skip talks on expanding ITA scope

The Hindu

New Delhi, 14 March 2013: India, and some other World Trade Organisation (WTO) members who are part of the Information Technology Agreement (ITA) group, have decided not to join negotiations on broadening the scope of the ITA — citing protection of national interest.

Officials in the Commerce and Industry Ministry said that some signatories of the ITA such as the U.S., the European Union and Japan had proposed a broadening of the scope and product coverage of the ITA (it is being referred as ITA-2), on which customs duty would be bound at zero.

They said the proponents of ITA expansion had also prepared a consolidated list of IT products on which tariff reduction was being sought. These discussions were at a preliminary stage in the WTO, they added.

"India's experience with the ITA-1 has not been encouraging as it has almost wiped out the IT industry from India. After examining the matter in consultation with the nodal Ministry i.e. Department of Electronics and Information Technology and other stakeholders, it has been decided, for the present, not to join the negotiations as it will not be in our national interest," a senior Ministry official said.

Stating that India was an active participant in WTO trade negotiations, officials in the Commerce Ministry said that the U.S., Australia, EU, Canada, Costa Rica, Japan, South Korea, New Zealand, Hong Kong, Taiwan, Chile, Colombia, Switzerland, Pakistan, Peru, Norway, Panama, Mexico, Israel, Turkey and Iceland had been exploring a `plurilateral approach' to a services agreement also known as International Services Agreement (ISA).

This group had held several rounds of discussions to finalise the architecture and modality of the proposed agreement.

"India is not part of these discussions, and these discussions are not part of the WTO Doha Round process," the official said.

The ITA negotiations have been threatened by the reluctance of many members, including India, thereby defeating the concept of broader participation.

'Our experience with the ITA-1 has not been encouraging'.

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Tension with Pak to wound medical tourism industry

Sushmi Dey, Business Standard

New Delhi, 17 January 2013: India's medical tourism industry, pegged at around $2 billion and growing at 20 per cent a year, is set to take a significant hit if the ongoing tensions with Pakistan persist. Hospitals and industry experts fear visa hurdles might restrict the movement of patients from that country, who constitute around 15-20 per cent of the total international travellers coming to India for medical treatment. This could cause a chunky revenue loss for the country.

Hospital chains like Apollo, Medanta, Max and Ganga Ram attract patients from Pakistan. According to top representatives from these hospitals, patients primarily come for organ transplants (such as liver and kidney), oncology-related treatment and cardiac and orthopedic surgeries. The number had already started coming down but the impact on India's medical tourism might show more after around a month if the situation continued, they said.

For instance, at Ganga Ram Hospital, which receives 4-5 patients a day from Pakistan, the number has reduced to 1-2 patients since Sunday. "If such tensions continue, it will definitely impact the inflow of patient. Things might become worse if they stop issuing new visas," a hospital executive said.

Apollo Hospital General Manager (Marketing and Strategic Businesses) Raj Raina said: "There could be trouble… The government may act cautious ahead of the Republic Day." Pointing out the hospital typically had patients lined up 3-4 weeks in advance, he said the exact impact could be assessed in about 10 days, when patients who have just got appointments initiate their visa processes. Apollo is among the hospitals that attract the highest number of patients from Pakistan (50-60 patients a month). Around 90 per cent of them come for liver transplants. According to Raina, the hospital conducted 130 liver transplants on Pakistani patients in 2012.

Medanta received 8-10 patients a month from that country. International patients constituted 18-20 per cent of its total occupancy, its vice-president (international marketing), Navneet Malhotra, said. The hospital currently has 900 beds.

When contacted, a government official said medical tourism was a "special case". "When it comes to giving visas to special cases, we do not discriminate between countries," he claimed. However, doctors and hospital representatives argued there was a gap between "what is" and "what should be". Also, patients from Pakistan might choose not to visit India at this point, given the brewing tensions.

India has been promoting medical tourism for some time. With an average occupancy of 10-20 per cent of the total, international patients are a major revenue churner for many corporate hospitals. For instance, Apollo earns 20-25 per cent of its Rs 600-crore revenue from international patients, while patients from Pakistan contribute 3 per cent of the total.

PricewaterhouseCoopers Executive Director and Leader (Healthcare Practice) Rana Mehta says: "Medical tourism is an important segment because it allows hospitals to charge a premium of 20-25 per cent over fees from local patients. So, the realisation per patient is more."

However, some also believe the tensions would harm Pakistan more than India. "It is more of Pakistan's loss than India's. It is not that they are giving us a lot of revenue, they come here primarily because quality healthcare is unavailable here and India is a cost-effective option with physical proximity," says Deloitte Touche Senior Director (Strategy & Operations Consulting) Charu Sehgal.

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Import of IT goods may get expensive

ENS Economic Bureau, The Indian Express

New Delhi, 23 January 2013: The Budget is likely to make import of Information Technology (IT) and telecom products expensive, as the Telecom and IT ministry has sought changes in the duty structure for import of components to promote domestic manufacturing of electronic products.

“It is cheaper to import the components with zero duty and sell the product rather than manufacturing here. So, we need something to be done by the finance ministry on the duty structure to make it less attractive for people to import. Making import dearer will help in developing the manufacturing industry here,” said telecom minister Kapil Sibal.

Sibal said he was “sure the finance ministry will give encouragement to the Indian industry.” He added that if domestic manufacturing is not encouraged, the import bill for electronic products will reach $320 billion by 2020, which will be even higher than the import of crude oil.

Meanwhile, the government is in the final stage of negotiations with electronic chip makers for setting up a high-tech chip making facility in the country this year.

“We have to set up a fab (electronic chip fabrication) unit here in this year. We will have proposal very soon in our office. We will take it for Cabinet approval for that fab,” Sibal said.

The project to set up two semiconductor plant in the country was approved by the Cabinet. It envisages an investment of around Rs 25,000 crore.

Unveiling a one-year agenda of department of electronics and IT, the ministry also announced their target to provide e-literacy training to one million people in 2013. The plan is to ‘e-literate’ at least one member in all households across the country.

“The idea is to provide training to people according to their needs and that is why we have broken up into five levels. We may provide first two levels of training for free but there will be a charge for the three higher levels,” said electronics and IT department secretary J Satyanarayana.

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IT exports to grow 12-14 %: Nasscom

The Hindu

Mumbai, 12 February 2013: An increase in global technology spending and opportunities created through adoption of disruptive technologies are expected to propel growth of Indian IT exports in 2013-14 and National Association of Software and Services Companies (Nasscom), the premier trade body for the Indian IT-BPM (Information Technology-Business Process Management) industry, expects the industry to clock export revenues of $84-87 billion, maintaining growth at 12-14 per cent.

In its strategic review 2013, Nasscom said domestic revenues would grow at 13-15 per cent, and to reach Rs.118,000-120,000 crore in 2013-14.

In spite of the challenges in the global market, Indian IT-BPM industry sustained its growth trajectory and was expected to clock export revenues of $75.8 billion with a growth of 10.2 per cent in 2012-13, Nasscom said in a statement. The domestic market also witnessed a year-on-year growth of 14.1 per cent, taking domestic revenues to Rs.104,700 crore in 2012-13.

The Indian IT-BPM sector continues to be one of the largest employers in the country directly employing nearly three million professionals, adding over 180,000 employees in 2012-13.

“The year 2012-13 can be characterised as the year of rapid transition and transformation leading the industry into expanding into newer verticals and geographies, attracting new customer segments, and transforming from technology partners to strategic business partners,” it said.

“The Indian IT-BPM industry has demonstrated resilience and agility in the past year. Technology has today become an integral enabler for growth across all sectors and the industry is continuously evolving and innovating to emerge as a strategic partner to its customers,” N. Chandrasekaran, Chairman, Nasscom, said in a statement adding, “the thrust is IP-led solutions served over multiple platforms that has the customer at the centre of every module, and is transformative in nature.”

According to Nasscom, some of the key growth drivers expected to open new opportunities for the industry are smart computing, ‘anything’-as-a-service, technology enablement in emerging verticals and the SMB market.

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Look beyond IT services

T S Vishwanath, Business Standard

14 February 2013: Services negotiations form a significant pillar in India's negotiations at the World Trade Organisation (WTO), or with important trade partners, while negotiating a comprehensive free trade agreement.

This sector is an important component of India's economy because services account for about 60 per cent of the gross domestic product, 40 per cent of exports, 35 per cent of employment, 20 per cent of imports and 25 per cent of total trade. However, the main demand for India in trade negotiations has remained in Mode 4 — that is, movement of professionals to provide services, especially in the information technology (IT) services segment.

However, with India's decision to not join plurilateral negotiations at the WTO on services, many analysts in India and outside are questioning the importance of services in India's trade strategy. Twenty one members of the WTO, called the "real friends of services", are negotiating to deepen the services commitment for each other through negative and positive lists approach. A negative list will mean that areas not on the list would be open for liberalisation, while a positive list will only list sectors that can be opened up for liberalisation. These 21 countries hope to carry negotiations over the next few months to finalise an agreement.

While India certainly has good reasons for not joining the WTO plurilateral negotiations, a recent Indian Council for Research on International Economic Relations (ICRIER)-Asian Development Bank study on "Integrating South and East Asia: The Case of Liberalising Services between India and Thailand" provides some interesting insights on India's services competitiveness. The preliminary findings of the study done by Arpita Mukherjee and Tanu Goyal, which was presented at a Confederation of Indian Industry meeting recently, showed that India's main area of interest within the services sector remains with the IT sector. Beyond this sector, New Delhi's interests in the services arena remain limited at present.

It showed that 40 per cent of the Indian companies were present in Thailand on a project basis. Of these, 83 per cent provided computer and related services. Interestingly, 48 per cent companies get projects through agents, 14 per cent through competitive bidding, 10 per cent through joint venture partners and the remaining through their networks.

The study seeks to build a services value chain, which will work on the complementarities between India and her important trade partners in Southeast Asia, such as Thailand. The findings of the study point to the fact that South Asia has an advantage in knowledge-based services, while East Asia in infrastructure and travel services. Further, efficient trade and production networks require services market integration, which includes physical connectivity, people-to-people connectivity and institutional connectivity, making the services element in a free trade agreement critical to building synergies between the two partners.

Interestingly, growth in South Asia's share in world's services trade increased from one per cent in 1990 to four per cent in 2010. For East Asia, the share in world services export increased from eight per cent in 1990 to 12.8 percent in 2010, and share in world services import increased from 7.7 per cent in 1990 to 11.7 per cent in 2010.

With services becoming an important component in the economy, India will need to look at developing competitiveness beyond the existing strength in the IT sector, and move to demands other than Mode 4. It will need to have an aggressive position in investment in the services sector. With manufacturing accounting for a large portion of the exports from India, there is also a need to build strength in services that complement the manufacturing sector.

With India looking to grow at seven to eight per cent a year, it will be important to build strength in the services sector, such as infrastructural services, which will complement the manufacturing services.

To make the free trade negotiations more meaningful, India needs to build strength in areas such as tourism or medical services, where it can look at building services value chain across Asia, as suggested in the preliminary findings of the ICRIER study.

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France asks India to further liberalise services, auto sector

PTI

New Delhi, 14 February 2013: France today asked India to further open its market for foreign companies in sectors like services and automobile under the India-EU free trade agreement.

"We are negotiating an FTA but we are still facing problems...from our side we still have few questions on liberalisation of services sector on Indian part...some difficulties in automobile sector," French Minister for Foreign Trade Nicole Bricq said.

India and the 27-nation bloc European Union are negotiating the Bilateral Trade and Investment Agreement (BTIA) since June 2007 and have missed several deadlines to conclude the talks due to differences among the two sides on the level of opening up of the markets.

"...if we can rebalance our trade exchanges, it will be favourable (for the free trade agreement)," she said. However, Bricq said that both the sides have increased the meeting at all levels including at the technical level to fast-track the talks.

A ministerial level talk is expected on the pact by end of this month, she added.

Speaking at the occasion, Commerce and Industry Minister Anand Sharma expressed hope that the negotiations would be finalised by this summer.

On visa issue, Bricq said that France is working to further liberalise visa regime for both businessmen and young research students. "...there are some issues on visa. I have discussed the issue with my home minister. We are working towards making it more liberal," she said adding there is also a need to remove all trade and non-trade barriers to boot two-way commerce.

The visiting French President Francois Hollande said that huge opportunities are present in both the countries to strengthen economic relationship between the countries.

"There is no sector that cannot be covered by both the countries. We have many areas where great deal of potential is there for cooperation like in energy, transport, audio-visual and retail," Hollande said. Inviting investments from India, the President said that France would further open its market. "Our companies have technology advantage and we are ready to share that advantage with you...there is a need to establish personal links so that our companies can find room for expansion," he added.
Trade between India and France was valued at USD 8.89 billion in 2011-12.

The French President said that small, medium and large companies should have access in each others market. "It is not easy to set up companies. But let us try to remove obstacles to enhance trade and investments," Hollande said.

The French Foreign Trade Minister said that there is a need to increase meetings between business community of both the countries as it would help MSMEs to consider India as a possible market for investment.

Bricq said that in the next G-20 meeting, which is expected in September in Russia, both the nations would oppose protectionist measures. Welcoming recent policy announcements by India, she said now French companies would explore business opportunities in retail.

France can also help India in urban development issues like water and waste management and creating other infrastructure."We have excellent companies involved in this field," she added.

Further Sharma said that both the countries can increase cooperation in areas like energy, urbanisation, infrastructure, pharmaceuticals, food processing and life sciences.

He said that with the government liberalising FDI policy in civil aviation and retail and "now the French companies have freedom to come and work with Indian partners in multi-brand retail sector".

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Govt decries CECA violation by Singapore

Nayanima Basu, Business Standard

New Delhi, 17 February 2013: Those of you planning to make it big in Singapore might be in for a setback. Singapore recently made certain changes to its Employment Pass Framework law to reduce inflow of foreign workers significantly to create more job opportunities for local professionals. The move is expected to impact even those Indians working there at present across various sectors.

The amendments, made on a proposal by its Ministry of Manpower, has armed the Singapore government to bring down the foreign share of the total workforce to around one-third while encouraging employers to invest in productivity in return for incentives in the form of tax breaks.

The move came as a recent Singapore's policy paper predicted that its population would grow by 30 per cent to 6.9 million by 2030, with immigrants making up nearly half that figure. The paper led to demonstrations in Singapore yesterday, a rare happening in the country, in protest against rise in immigrants.

The step has irked India as the new law does not give India a preferential treatment incorporated in the Comprehensive Economic Partnership Agreement (CECA) between the two countries, operational since 2005. This stance by the Singapore Government is expected to affect Indians working as middle-level managers, executives and technicians.

Speculations are rife that India might take up the issue with World Trade Organization's (WTO) dispute settlement body. However, according to Singapore such a decision was imperative in the interest of the natives as the share of the foreign workforce is rising very rapidly.

"The one-third is a long term target and we have not imposed quotas as such for any country. Of course, the end result is still a reduction of the current foreign workforce numbers. But in doing so, I do not think we have contravened our commitments in the WTO or the CECA. Moreover, this is not specifically targeted to any one country. We remain very open to foreign talent," a senior Singapore government official told Business Standard.

According to the Singapore government, the demand of Employment Passes (EP) has surged since its economic recovery in 2010, necessitating such a step.

There are three types of professional passes under EP – Q1, P2 and P1, depending on the kinds of jobs. As per the new law, the qualifying salary thresholds for Q1 and P2 Passes have been raised from $2,800 to $3,000, $4,000 to $4,500 respectively, while for P1 it remains unchanged at $8,000. The educational qualifications requirements have also been tightened under the Q1 Pass category. Foreign professionals who are already working at present would have to earn even higher salaries to retain their work permits.

The Singapore government is taking these measures--raising the salary ceilings of employment passes or increasing the work permit levy-- to increase cost for companies to bring in foreign talents. Additionally, it will offer incentives to those companies in the form of tax breaks for using high-end technology to do the same job instead of being dependant on labour.

Both India and Singapore are currently reviewing the CECA , the talks for which started in 2010. But it has been stuck ever since over various issues, and now this law is all set to create further hurdles.

According to Indian officials involved in the negotiations, this is a violation of the services trade agreement under CECA. This will also adversely affect Indians who are working there as it might lead to job losses, especially for the middle level workers.

India has submitted a request to Singapore for addressing the matter but has not received a formal communication yet.

Currently, there are about 2,00,000 non-resident Indians in Singapore working in ITES, financial services and scientific research sectors among others, according to one estimate.

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Services sector needs to maintain competitive streak

Business Line (The Hindu)

New Delhi, 27 February 2013: The tempo of services-led growth of the Indian economy can be maintained only if the Government adopts a targeted approach to big ticket services, such as medical tourism, shipping and logistics, among others.

This apart, removing restrictions on foreign investment in legal and accountancy services could result in growth, the Economic Survey 2012-13 said. “Removing or easing domestic regulations can lead to dynamic gains for the Indian economy,” it said.

The Survey also recommended that foreign direct investment limits in the insurance sector and public sector banks needed to be reviewed and increased to improve the growth prospects of these sectors.

Raising Insurance FDI Cap

“By raising (FDI) cap to 49 per cent in the insurance sector, there is scope for substantial growth in the coming years. Competition and adoption of best practices could strengthen this sector, reduce the premium and expand the services to the vast untapped rural India,” it said.

On legal services, the Survey said, “Foreign service providers can neither be appointed as partners nor sign legal documents and represent clients. The Bar Council is opposed to entry of foreign lawyers/law firms in any manner.”

Indian advocates are not permitted to enter into profit-sharing arrangements with persons other than Indian advocates, it added.

The Survey expressed concern that education services, which was under the concurrent list, was bogged down by multiple controls and regulations by Central, State Governments and statutory bodies.
It said growth in India’s services exports would continue to take a hit as the global economic situation remains “less conducive”.

Services exports at $142.3 billion showed a lower growth of 14.2 per cent in 2011-12 against 29.8 per cent in the preceding year.

The services sector includes trade, hotels, transport, storage, communication, financing, insurance, realty and business services.

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Rajasthan may see 7-8% rise in foreign tourists inflow in 2013

PTI

Jaipur, 15 April 2013: The number of foreign tourists visiting Rajasthan is expected to grow by 7-8 per cent in 2013, despite the slowdown in the western countries, a top official said today.

“We expect an increase of around seven-eight percent in foreign arrivals in the current calender year,” Rajasthan Principal Secretary (Tourism) Rakesh Srivastava told reporters on the sidelines of the Great Indian Travel Bazaar (GITB) being organised here.

GITB is an initiative of the Ministry of Tourism, Department of Tourism (Rajasthan) and industry chamber Ficci, which has been organising it in Jaipur since 2008. It is a pan-India international platform for inbound tourism.

According to Srivastava, the state attracted about three crore (30 million) tourists in 2012.
“The year-on-year growth of inbounds last year was eight per cent in Rajasthan. The domestic growth stood at 6.73 per cent,” Srivastava said.

To provide better safety measures, he said, the state has been working on many initiatives like formation of tourist assistance force of around 275 personnel deployed at various major destinations, who help foreign and domestic travellers.

“Keeping in mind facilitating tourism industry and the safety and security of the tourists as prime concerns, Government of Rajasthan introduced ‘Tourism Trade Regulation Act’ in 2010,” Srivastava said.

Rajasthan’s Tourism Minister, Bina Kak yesterday said that there has been no impact on the tourists arrival rate in the state due to global slowdown.

“We are seeing tourists coming in and their numbers have been growing. More-and-more projects are also coming up like hotels to accommodate rising number of tourists,” Kak said, while inaugurating the sixth edition of GITB here.

She said that tourism is a major economic growth driver and has a major share in the gross domestic product of the state’s economy.

The share of Rajasthan tourism to the state Gross Domestic Product (GDP) is 13.68 per cent.
Ficci Vice-President Jyotsna Suri said the potential of domestic tourism industry should also be looked at and growth strategies in this regard should be drawn up.

“The Indian domestic tourist industry has enormous potential. In the US the domestic tourist inflows drives many state economies. Similarly, we should look at ways to grow this segment in India,” Suri, who is also the Chairman and Managing Director of The Lalit Suri Hospitality Group said.

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Raise cut-off limit in plan to issue more visas, India tells EU

Amiti Sen, Business Line (The Hindu)

New Delhi, 4 May 2013: India has asked the European Union to have a higher cut-off for triggering visa curbs introduced in the latter's proposals offering additional 40,000 visas to Indian professionals every year.

This is part of the ongoing India-EU free trade agreement talks. New Delhi has argued that a lower cut-off margin could render the concessions meaningless.

In a safeguard clause, the EU will allow individual member countries to take measures to check entry of professionals from India as soon as 20 per cent of the committed number is breached.

Since the EU's offer is one of the main bargaining chips to nudge India to agree to deep tariff cuts in cars and alcohol, any limit on the number of visas is not acceptable, a Commerce Department official said.These additional visas are to be issued by the EU-member countries without any Economic Needs Test to show its impact on local workforce, which is otherwise mandated by many countries. "The threshold level is way too low. This means that as soon as a member gives out one-fifth of the total number of visas it has agreed to issue, it could be free to impose restrictions. This is like giving with one hand and taking back with the other," the official said.

India has listed the issue as top priority to be discussed in the meetings of the negotiating group before the next India-EU ministerial meet scheduled in June. The main problem with EU‟ s proposed commitments for additional professional visas could be the fact that it imposes different burden on different countries, with the heaviest weight on the UK.

UK's share of 12,000 is 30 per cent of the total - despite the country making up only 12 per cent of the EU's population.

The Commerce Department argument is that since these visas are short-term, for up to six months, it would not be burdensome for any country.

India has also asked the EU to grant secondary mobility inside the EU-member state to Indian professionals so that they can move from one EU country to the other without restrictions.

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Indian IT companies set to be hit as Canada tightens visa norms for foreign workers

Adith Charlie, Business Line (The Hindu)

Mumbai, 6 May 2013: Canada has joined the US in tightening the visa regime for foreign workers, a move that could be detrimental for Indian IT service companies with operations in that country. Seen by experts as a knee-jerk reaction to the recent controversy surrounding iGate and Canadian bank Royal Bank of Canada (RBC), the move is set to increase the time and costs associated with procuring a temporary work permit.

The Accelerated Labour Market Opinion (ALMO) programme, a fast-track immigration programme to secure a temporary work permit in two weeks, has also been suspended.

Labour Market Opinion

Indian companies will now have to revert to the Labour Market Opinion (LMO), a time-consuming process, compared with H1B visa regime in the US. A LMO is an authorisation that a recruiter has to obtain from the Canadian state, if a job has to be offered to an Indian.

Moreover, the employer has to prove that it had advertised for the position across Canada, but was unable to find a qualified Canadian to do the job. The latter is what makes it time-consuming.

"Earlier, with the ALMO programme, employees of IT companies with a good track record of compliance, would get work permits in two weeks time. The suspension of the programme means companies will have to go through the LMO route, thereby pushing up the permit filing time by 3-5 months," said Gagan Sabharwal, Deputy Director, Global Trade Development, NASSCOM.

IT companies will have to factor in the delays in securing work permits before entering into contracts with a significant onshore component, added Sabharwal.

Moreover, a new fee will be imposed on employers when they apply for an LMO. In addition, the Canadian Government also intends to increase work permit fee from the present $150. However, it has not specified the quantum of the rise.

Canada's temporary foreign worker programme came to the forefront last month after news reports suggested that the RBC was using temporary foreign workers hired by outsourcing firm iGate, replacing existing staff. Following the disclosure, RBC Chief Executive Gord Nixon apologised for being "insensitive" to local employees. iGate said its hiring practices were "fully compliant" with the Canadian law.

"The new visa laws will see an additional fee being charged for the work permit applied in Canada. There will be a direct cost implication. Though there are some changes on the immigration side, I do not believe that there will be any long-term strategic structural change. Our focus will continue to be very strong in the Canadian market with investments and job creation in the country," said Phaneesh Murthy, President and Chief Executive Officer of iGate.

In its third change, Canada has also disallowed a rule allowing companies to pay temporary foreign workers 15 per cent less than prevailing wages for high-skilled positions, and five per cent less for low-skilled ones.

Most IT companies did not respond to queries on the changed circumstances.

Farid Kazani, CFO of mid-size IT solutions company Mastek, said that the impact of the new development on his company would be negligible. “In Canada our onsite requirement is less. Also, we hire locals with domain knowledge in insurance,” he said.

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India expresses 'concerns' on proposed UK visa rules

Business Standard

New Delhi/Bangalore, 26 June 2013: India has expressed “serious concerns” over the new visa norms proposed by the UK earlier this week, which require applicants to pay a hefty cash bond of ¡Ì3,000 (Rs 2.8 lakh). Commerce and Industry Minister Anand Sharma raised the issue in London today during his meeting with Vince Cable, secretary of state for business, innovation and skills, Oliver Letwin, minister for government policy in the Cabinet office, and Gregory Barker, minister in-charge for business engagement with India. An official statement by the commerce ministry said Sharma was assured by the British government that the proposal for the pilot project had not been sanctioned by the government. The external affairs ministry has sought further clarity on the issue from the Indian high commission in London. The ministry said it might raise the issue during the India-UK consular discussions, expected next month. The UK is planning to pilot a scheme with effect from November for a year, targeted at visitors from at least six countries including Bangladesh, Sri Lanka and Ghana, because these are considered “high-risk”. Under it, visitors will be forced to pay a cash bond of ¡Ì3,000 before entering the UK. This will not be applicable for children under 18. “This would be a deterrent factor. But I hope that it is only temporary deterrent. We will make all diplomatic efforts to ensure that there is no hindrance to student mobility," said Human Resource Development Minister M M Pallam Raju. Ameet Nivsarkar, vice-president of IT industry body Nasscom, said it would only be applicable to visitors. “Besides, it is a pilot programme; so it is not going to be applicable for all.” According to the UK, the pilot project is aimed at addressing concerns on misuse of visa and reduce the risk of overstaying. “In the long run, we are interested in a system of bonds that deters overstaying and recovers costs if a foreign national has used our public services. We're planning a pilot that focuses on overstayers and examines a couple of different ways of applying bonds. The pilot will apply to visitor visas, but if the scheme is successful, we would like to be able to apply it on an intelligence-led basis on any visa route and any country,” said UK.s Home Secretary Theresa May in a statement issued by the British High Commission here. The Indian industry has already expressed its sharp resentment over the proposed norm and warned that the move will act as significant deterrent in India-EU bilateral relations. According to CII, such a step is “highly discriminatory and very unfortunate” and that it will adversely impact businesses flow of students and tourism. Vindi Banga, chairman of FICCI's UK Advisory Group, said: “A high-risk status for visas for Indian visitors to the UK is 180 degrees opposite to Prime Minister David Cameron's emphasis on a special relationship with India. If true, this move will adversely impact students, tourists and business alike." India and the European Union are currently engaged in talks for having a wide-ranging free trade agreement, which also includes a relaxed visa regime. If such a move by the UK government goes through, this will be contrary to what was promised under the proposed deal. Ironically, during his visit to India in February, Cameron had promised a relaxed visa regime between both countries for businessmen.

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