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## Firms Plan Landmark India-Pakistan Business Deal

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India's biggest software exporter plans to open a training center in Pakistan this fall, venturing across a heavily guarded border to launch the first formal joint venture between major companies from the rival nations.

Tata Consultancy Services Ltd., part of India's Tata conglomerate, seeks to team up with Pakistan-based Techlogix Inc. to offer software engineering courses for technology workers in Lahore. Tata officials say that they hope to eventually create a software development facility in Pakistan and that the training center will help ease the company into the market.

"First, one has to test the waters and make sure the business climate is good," Jayant V. Pendharkar, Tata Consultancy Services' head of global marketing, said in an interview from Bombay. "Ultimately there may be a center over there. This is the first time we are attempting something like this."

Tata requires approval from India's central bank and from Pakistani regulators before finalizing the investment.

Analysts said the cooperation between the nations' information technology sectors could have broader implications for relations between India and Pakistan, which were violently partitioned into independent countries in 1947. Since then, they have fought four wars, mostly over the disputed Himalayan territory of Kashmir.

"The fact that you would have an Indian company looking to Pakistan to expand its software development not only makes sense because that would be a good economic decision, but it would also be a good political decision," said Karl F. Inderfurth, an international affairs professor at George Washington University and a former assistant secretary of state for South Asian affairs. "Expanding economic ties would certainly complement the ongoing process of normalization between the two countries."

This latest venture comes after a series of overtures has helped thaw relations between the two nuclear-armed nations. Earlier this year, Pakistan and India agreed to start a bus line between the Indian and Pakistani portions of Kashmir. Despite U.S. opposition, they united to support construction of a \$4 billion pipeline that would bring Iranian natural gas to India through Pakistan. And in April, Pakistani President Gen. Pervez Musharraf attended a cricket series between India and Pakistan in New Delhi, pausing between matches to meet with Indian Prime Minister Manmohan Singh. The leaders vowed to boost bilateral trade, which reached \$380 million in 2004.

Fueled by U.S. companies outsourcing contracts to cheaper labor overseas, both India and Pakistan have seen tremendous growth in their IT sectors. Yet India's \$12.8 billion in annual sales from software and related services dwarfs Pakistan's \$150 million.

In Pakistan, "the offshore model is still in its very early days," said Salman Akhtar, the co-chief executive of Techlogix. "Indian companies have led the way in offshore IT services and hence there should be a lot of interest in learning from them."

However, global demand for software services has allowed Indian workers to begin demanding higher salaries, which makes Tata's entry into Pakistan even more strategic, said Jehan Ara, president of the Pakistan Association of Software Houses.

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"India will be running short of human resources soon and they will have to look to Pakistan to get involved in projects," she said.

Techlogix, while nowhere near the size of Tata Consultancy Services, has grown from a start-up funded by Akhtar's roommate at the Massachusetts Institute of Technology into a company of 215 employees scattered across Pakistan, the United States, China and the United Arab Emirates.

Tata officials said they typically partner with local companies in foreign markets. The planned facility's training program, called the Tata Center for Software Excellence, will be modeled after the orientation Tata Consultancy mandates for new hires.

In India, Tata is a household name -- often likened to General Electric Co. in the United States -- and makes everything from tea to trucks. Tata Consultancy alone does business in Asia, Europe, Africa and North and South America and generated \$2.24 billion in annual sales in 2004.

For decades, companies looking to do business across the Indian-Pakistani border have devised creative, at times illegal, strategies. Pakistan has had a longstanding ban on Indian films, but Bollywood fans abound in the country because of the ubiquity of pirated videos and DVDs. In recent years, Indian and Pakistani executives have scheduled business meetings in neutral locations such as Dubai, United Arab Emirates, Ara said.

As Tata Consultancy Services seeks regulatory approval to enter Pakistan, Ara said, technology firms from both countries eye the process with interest.

Akhtar expressed hope that this agreement would encourage more companies from India -- his mother's country of birth-- to do business in his native Pakistan.

"In an absolute sense, this is a fairly small step to take," he said. "But in the framework of Pakistan-India relationships, it seems like a giant leap."

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