

In India, outsourcing firms rejoice

By **Saritha Rai** The New York Times
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BANGALORE, India Outsourcing companies in India are jubilant that the elections in the United States have returned President Bush to office.

"This is great news for the offshoring industry," said Nandan Nilekani, chief executive of Infosys Technologies, a software services company. The trend toward outsourcing will now become even more inexorable, Nilekani said.

News on Wednesday that John Kerry had conceded the election to Bush was greeted with joy in the industry.

"We are very happy that Bush is back," said Kiran Karnik, president of the industry group Nasscom, or National Association of Software and Service Companies. "The president's track record has been of recognizing the advantages of free trade."

Bush's re-election will bring out the latent demand for outsourcing and lead to more offshoring announcements by companies, he said. "Some corporations have been cautious about signing or announcing deals in the last few months," Karnik said. "Now they will no longer hold back."

Offshore outsourcing, or the moving of work to low-cost regions like India, was an issue in the U.S. presidential election, with Kerry, the Democratic candidate, blaming Bush and offshoring for the loss of thousands of American jobs.

Kerry once referred to "Benedict Arnold companies" and chief executives that sent jobs overseas, invoking the name of a notorious 18th-century American traitor. He promised that as president he would end tax deferrals for companies that send work abroad.

Bush, in contrast, was largely silent on the issue. But members of his team, among them N. Gregory Mankiw, the chief economic adviser, and Treasury Secretary John Snow, have both defended offshoring as a form of free trade.

Some executives said that offshoring would grow even more strongly with Bush's victory. "The elections are over and so is the rhetoric; it will be easier for American corporations to step out with their outsourcing plans," said Vivek Paul, the vice chairman of Wipro, who works in Mountain View, California. The company itself is based in Bangalore.

The tone of some campaign comments criticizing outsourcing was viewed with some concern in India. The Times of India, the country's leading newspaper, called offshoring the "swear word" of the 2004 elections.

India's outsourcing industry employs more than 800,000 people. The country's software and back-office services industry posted \$12.5 billion in export revenues in the year ended in March, a 30 percent rise over the previous year, as global demand for its services grew.

For more than a decade now, leading Indian outsourcing companies like Infosys Technologies and Wipro have written software applications and done back-office work for top American corporations,

including General Electric and Citigroup. The work can be done more cheaply here, where skilled labor is inexpensive and plentiful.

The leading outsourcing companies earn as much as two-thirds of their revenue from customers from the United States.

Indian outsourcing companies have been growing robustly recently. In the quarter that ended in September, Infosys Technologies announced a 49 percent rise in profit and added more than 5,000 employees. Its rival Wipro had a 65 percent increase in quarterly profit and hired 5,500 more workers.

Some experts said that Bush's return to the White House augured well not just for India's technology industry but also for trade relations between India and the United States.

"The results mean that it is less likely that either the Congress or the administration will interfere in the growing and mutually beneficial trade relations between the two countries," said Daniel Griswold, director of the Center for Trade Policy Studies at the Cato Institute in Washington.

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