



India to Increase Software Exports Via Outsourcing

By ASHOK BHATTACHARJEE
DOW JONES NEWSWIRES
June 4, 2004; Page A10

NEW DELHI -- The software-outsourcing sector in India is poised for a year of robust exports, as savings for U.S. companies outweigh a political backlash there against shipping jobs overseas, an industry body said Thursday.

Signs of a recovery in the U.S. economy and job market are giving Indian companies confidence to bid more aggressively for software orders, according to the National Association of Software and Service Companies, or Nasscom, which represents more than 800 technology companies in India.

For the year ending March 31, 2005, Nasscom forecasts Indian exports of software and back-office services will grow 32% to \$16.3 billion. That would compare with the previous year when software exports rose 31% to \$12.5 billion, crossing the \$10 billion mark for the first time.

"We are riding the crest of a wave and we need to make it count," said Nasscom Chairman Jerry Rao. "We are looking at a very good year ahead. And the last year was possibly the best since the slowdown in the global technology market."

WHEN U.S. JOBS GO ABROAD

¹ • [Complete coverage](#)² of the outsourcing debate, including news and interactive graphics.

Annual growth in exports of software services may have slowed from 50% in the boom years of the late 1990s, but a squeeze on U.S. and European technology budgets actually has benefited Indian companies,

which offer their Western customers up to 50% savings on operating expenses.

The lure of substantial cost reductions has prompted U.S. and British companies to cut back on jobs and expansion plans at home and instead ship the work to low-wage countries like India. The trend has triggered a backlash in the U.S. and United Kingdom that poses a threat to the future of the outsourcing industry.

However, Nasscom is optimistic. **"We know the backlash is an issue but we expect it to blow over.** We expect the backlash to end, with the U.S. economy generating more jobs over the last few months," said Nasscom President Kiran Karnik.

In April, nonfarm business payrolls in the U.S. grew by a net 288,000, raising the total gain to 1.1 million over the past eight months. The unemployment rate, meanwhile, dropped one-tenth of a percentage point to 5.6% in April.

The U.S. remains the biggest market for Indian software companies, generating 70% of their revenue. The U.K. is second, with a 15% share of India's software exports.

To maintain the headstart India has over its rivals like the Philippines, South Africa and Ireland, Nasscom urged the government to set the agenda for services trading in negotiations at the World Trade Organization.

"India has a natural advantage in services and we need to press that home. India will be a disproportionate beneficiary of WTO negotiations if we are able to set the agenda," Mr. Rao said, referring to guidelines on crossborder trade in services.

In the past, Western companies have questioned India's record on data safety and its legal protections on intellectual-property rights. But Nasscom member companies now are moving to put in place stricter regulations on data transference to keep their Western customers plugged into India's outsourcing boom.

More than one million Indians are expected to be employed in call-center, back-office and software jobs by 2008, making the sector the country's biggest foreign-exchange earner, with expected annual revenue of \$50 billion.

Write to Ashok Bhattacharjee at ashok.bhattacharjee@dowjones.com³

URL for this article:

<http://online.wsj.com/article/0,,SB108628635897728044,00.html>

Hyperlinks in this Article:

(1) <http://online.wsj.com/article/0,,SB107782402226340185,00.html>

(2)

http://online.wsj.com/page/0,,2_1073,00.html?mod=technology_main_promo_right

(3) <mailto:ashok.bhattacharjee@dowjones.com>