



## Dr Lalit Kanodia

► He is the founder and Chairman of Datamatics Group of Companies is one of the pioneers in the Indian Software and Offshore Services Industry. He founded Datamatics in 1975, prior to which he was instrumental in setting up of Tata Consultancy Services in 1967. He has been Past President of the Management Consultants of India and the Indo American Chamber of Commerce. He has also been on the Executive Board of MIT, USA.

## GUEST COLUMN

**T**HE WORLD IS GETTING MORE PROTECTIONIST, which can be witnessed by both BREXIT and the election of Donald Trump as the US President. This will have an impact on international trade, be it products or services. Political leaders of most countries are now pressing for greater indigenous production in their own countries. This will certainly impact the IT Industry, which is heavily dependent on exports.

I believe that restrictions on foreign workers working in any country are going to increase. This will also apply to the US and Europe. Most countries including India have very tight laws and rules relating to foreigners working in their country. The IT industry, therefore, needs to change its business model to become less dependent on working onsite. India is not well prepared to change its business mode.

India needs to leverage its Intellectual Property. This needs some change of laws as also some fiscal benefits. For instance, software cannot be patented in India, though it can be patented in the US. We should, therefore, amend our laws to enable patenting of software in India. In his last Budget speech, the Finance Minister had given tax concessions to profits on sale of goods patented in India. Since software products cannot be patented, this benefit is not available to this sector today.

We now have to move beyond providing onsite software services to increase our market share. The US is the biggest exporter of services in the world. I don't think they will work against their own interests.

Since software cannot be exported physically but can be done by the use of telecom, it would be difficult for most countries to control the import of software. We, therefore, need to pursue other offerings in the IT space such as software solutions, internet products, BPO, and software licences at the high end.

The Indian IT sector is now well recognized worldwide. Our IT services have high brand equity. However, Indian products do not enjoy the same brand equity. We, therefore, need to engage in a conscious programme, with the support of the government to increase the brand equity of our IP.

As far as services are concerned, all developing countries including the Philippines, Sri Lanka, Vietnam and East Europe are going to become fierce competitors. We will face price pressure. We, therefore, need to move up the value chain. Fortunately, as we have a large population of highly educated IT professionals, we can rapidly move up the value chain.