

"PRESIDENT TRUMP'S POLICIES MAY ULTIMATELY BE GOOD FOR INDIAN IT"

DR. LALIT S. KANODIA, CHAIRMAN, DATAMATICS GLOBAL SERVICES LIMITED



Interview by Sairaj Iyer

TDB: How do you view Donald Trump's election as US President? What's your perspective on his election campaign?

Lalit S. Kanodia (LSK): There are three perspectives that I have. Firstly, politicians make some statements, before and during elections. Everybody does that all over the world. They don't necessarily follow what they said after they get elected. This is true worldwide. When Clinton got elected he was talking of healthcare. The cost of healthcare in America is very high. It is almost 17% of the total GDP. But, Clinton could do nothing about healthcare. Secondly, the Senate passes the legislations, and I think it will be a tough call for the Senate to make major changes to the law. The third point is that very few would understand that US is the largest exporter of services in the world. And, Trump restricting services is detrimental to US's own exports. Even when John Kerry came to India, he was speaking a language similar to Trump's, but he was shocked when I told him that US is the largest exporter of services.

TDB: Do you think President Trump has the wherewithal to influence the Senate?

LSK: Yes, he can, but only upto a point. For example, 2-3 months ago when Obama decided to make all illegal immigrants legal, the Senate shot it down. I think one should realise that America is a land of immigrants. There are Japanese, French, Chinese, Swedes, British, etc. In fact, the finest brains in America are immigrants. Some of the famous US nationals are Einstein, a German immigrant; Wernher von Braun, the first rocket designer, a German; Andy Grove of Intel an East-European. Interestingly, even heads of Microsoft and Google are Indians.

TDB: If Senate somehow enforces some laws, can we expect our government to adopt some protectionist policies?

LSK: Protectionism is bad in many ways for India. For example, in 1991 when the market was opened, nearly half of the top 20 companies were replaced with new names. Opening an informal economy is good for the country. And, I think we are already opening up everything.

In order to better equip Mode 4 supply, we need better benchmarks in our education standards. I am an IIT product and it is the best institute in India, but we are still not up there. In fact, we don't rank in the top 100 universities in the world. In US, the Massachusetts Institute of Technology (MIT) has produced over 80 Nobel laureates, and there is a natural process to equip the faculty better. The process involves professors continually going through evaluation processes and attaining professorship within stipulated periods. At IITs and IIMs a professor can't be fired. Having said that, we are a clever nation

and people certainly work on merit.

TDB: How about things such as hike in minimum labour charges on H-1B visas, or enforcing tariffs on imports? Wouldn't these impact our services exports?

LSK: There would be a short-term impact, but it enforces companies to do other things than merely onsite services. It is in India's interest. Moreover, I am not too worried about Trump. He knows what is good for America, and he is a good businessman. It is in America's interest, to be able to import software services. I would also like to suggest our government to encourage policies for software patenting and thereby create an uptake of product exports.

TDB: What government policies are you referring to?

LSK: There are some policy related issues. For instance, Indian laws do not allow patenting and copyrighting software but US does. Government and agencies like Nasscom need to build policies that encourage the development and export of products rather than services. Copyrighted software should have tax concessions. Products are difficult to develop. But as our per capita income increases, companies and economies should take the difficult route in developing a value chain. If we fail, we will face stiff competition from Sri Lanka and Vietnam in the services sector.

IT exports broadly has three ladders. The lowest is BPO, followed by services and then products. By products I mean what companies like Oracle and SAP sell. I find that our export of software products is about \$2-3 billion in comparison to services exports that contribute nearly \$108 billion.

I have written to the Finance Minister that there are reasons to encourage software patenting. If patenting is not permitted then the product can be copied, and it's not good for Indian IT industry. Hence, you should allow software to be patented in India, and put in place a tax incentive for patenting. This is the way forward. If we move up the value chain and produce software we will not have to deal with such uncertainties.

TDB: How would Donald Trump impact the profitability of Indian IT industry in 2017?

LSK: Most Indian IT companies, like TCS and Wipro, are cash rich and therefore cash or working capital will not be a limitation going forward. Trump should hence not be a worry in the short term. However, the challenge would be to create a strong will to get into product development space. Vishal Sikka is trying to do exactly that at Infosys. But, Infosys still largely remains a cash-rich service company.