

Trump's 'US First' Talk Has India Worried

Let us wait and watch, say experts Tremors in hunting ground shake IT

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New Delhi: US President Donald Trump's tough talk on trade and economic policies has emerged as a fresh risk for the Indian economy, which is recovering from the impact of demonetisation.

While it is too early to assess the impact of any possible policy changes in the US, several sectors of the Indian economy as well as exports may be hurt if Trump implements the changes he has talked about. Experts and policy-makers are adopting a 'wait-and-watch' stance.

"Trump has made it very clear that protecting American interests is his main priority. His focus is on getting jobs and manufacturing back to the US. This could have an impact on H-1B visas for India. We have to wait and watch as to the stance the Trump administration takes on the intellectual property issue," said Biswajit Dhar, professor at JNU.

"The second issue is the trade surplus that India enjoys vis-a-vis the US. Past administrations have been pressing India to lower the bilateral trade imbalance. The stand taken by the new administration on this issue is something that we would have to wait and watch. An indifferently performing global market has already left its adverse impact on India's exports over



US President Donald Trump talks to a priest at the National Cathedral in Washington DC on Saturday, Day Two of his tenure in the Oval Office

the past two years. If Trump implements his much publicised inward-looking policies, Indian businesses would need to seriously re-think their strategies," Dhar said.

Two-way trade with the US has shot up more than five-fold, from about \$19 billion in 2000 to over \$100 billion in 2014, and the US is currently India's second largest trade partner and the largest export destination, according to industry estimates. Both sides have vowed to increase their bilateral trade turnover to \$500 billion in the years ahead.

Experts said the government and the RBI needed to push reforms and policies to ensure that any sudden impact from the kind of policies Trump has vowed may be ab-

change rate and capital flow policies," he added.

India Inc said any reversal of economic and free trade policies was likely to hurt global growth, and pointed to the investment in the US by Indian companies. Any upheaval in the global economy against a backdrop of slowing growth could hurt India's economic expansion — the Indian economy is estimated to grow by 7.1% in 2016-17.

"While we welcome the 'America First' strategy of President Trump, we hope that it will not lead to a new era of protectionism. The US has always been a champion of free trade and economic integration. A reversal of this stance would indeed be seriously detrimental to global growth," Chandrajit Banerjee, director-general at the Confederation of Indian Industry (CII), said.

He said Indian companies had invested in around 40 US states, operating in sectors such as IT and healthcare, among others. "Nearly 100 Indian companies have invested \$15 billion in the US economy and generated around 1 lakh jobs. These companies are creating and saving jobs, engaging in research and development as well as in corporate social responsibility initiatives — the tangible benefits of such FDI therefore flow directly to the local communities in which they operate," he said.

Avik Das & Shilpa Phadnis | TNN

Bengaluru: Donald Trump's maiden presidential address on Friday could not but have been unnerving for India's biggest export industry — IT services. Close to 75% of the industry's \$150 billion revenue comes from exports, 60% of which are to one country — the US. Worse, Trump's 'Buy American, Hire American' campaign has the potential to hit the industry on both fronts. It could persuade US companies to slow down their IT outsourcing to foreign (primarily Indian) companies. And given that Indian IT services companies have built their entire model on the basis of moving most of the work in a contract to India — what's called offshoring — 'hire American' policies could force them to substantially rework that model. And that will not happen without a sharp squeeze in profit margins.

Tom Reuner, managing director of US-based IT advisory firm HIS Research, said the timid hopes that Trump would moderate his views as President have evaporated. "The centrepieces of his inaugural speech were jingoism and protectionism," he said.

Already, several moves have been initiated to make it more difficult for Indian IT services firms to deal with US contracts. These include efforts to make US work visas more dif-

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REAL DONALD TRUMP LISTENS TO THE FAVOURITE PART OF HIS INAUGURAL SPEECH



icult to obtain. An essential ingredient of the IT outsourcing model is to send Indian engineers to the US to understand customer requirements and finally implement and test them, though the substantial in-between work of software development would be done in India. For this reason, Indian IT companies are the biggest users of US work visas like H-1B and L-1. New legislation has been introduced seeking to raise the minimum wage under H-1B to \$100,000; that's

50% over the median wage of \$61,000-\$71,000 that most companies now pay.

Nasscom president R Chandrasekhar says most of these legislations fundamentally discriminate against Indian IT companies. They invariably make the provisions applicable only to companies that have more than 50% of their employees in the US on H-1B or L-1 visas. Only Indian companies would fall in that category. So, even though rivals like IBM and Accenture

bring in significant numbers on H-1B, they remain unaffected because they have a large base of local US employees. "If low wage employees are brought into the US, how does it matter whether they are being brought in by Indian companies or others?" he asks.

Visa pressures and other business requirements have already made Indian IT companies increase their efforts to hire more locals. Trump could compel an acceleration in that trend.

Markets not sold on Trump talk

Analysts Negative On ₹, Funds To Emerging Nations May Slow Down

Mayur Shetty & Partha Sinha | TNN

Mumbai: Foreign exchange dealers are expecting a fresh bout of uncertainty in the currency markets on Monday. US President Donald Trump's protectionist inaugural speech saw American equities close higher, but the lack of clarity on policy has raised doubts over how sustained the dollar rise will be.

There is wide expectation that the dollar will open strong next week, considering Trump's proposals on tax cuts and promoting local manufacturing along with curbs on imports. Ahead of Trump's inaugural address, the rupee fell five paise to close at a one-week low of Rs 68.18 on Friday. It is expected to trade between Rs 68 and Rs 69.5 in coming weeks.

According to Ashish Vaidya, head of trading and asset-liability management at DBS, some of the protectionist measures might be positive for the US economy, and there have already been some capital flows from emerging markets to the US and some more may follow. "Overall, I think it is going to be negative for the emerging markets. Almost all the analysts are negative on the rupee," he added.

"Stock markets globally will have a negative wave which will feed into our mar-



A Trump supporter holds a placard bearing the US President's campaign slogan, a call to nationalism that struck a chord with millions in the US

kets too. Trump's 'Make in America' platform appears intact, and he is the type to get down to work on both political and economic issues ASAP," said Madan Sabnavis, chief economist, Care.

However, it does not still look like India is a target and hence, while IT stocks will be

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cautious, there is no threat of any immediate embargo, unlike say for China or Mexico, he added.

What will impact India is the combination of Trump taking charge and US Federal Reserve chair Janet Yellen saying that the US is on its way to a recovery and higher growth. "Then funds in general may slow down to emerging

countries and we cannot be insulated here," said Sabnavis.

A stronger dollar does not bode well for inflation since all imports are denominated in dollars. This would raise the cost of imports of commodities such as oil, which has already firmed up 25% in recent months.

"A Trumpian view that looks at global trade and commerce and geo-strategic alliances as a zero-sum game with losers and winners, as against a win-win for both the trading partners and geo-strategic allies, can only fuel trade wars. Trade wars, retaliatory tariffs and barriers to free movement of people and trade can cause turbulence in global markets," said Ajay Bodke, CEO and chief portfolio manager, Prabhudas Lil-

lader. He said one needed to closely watch the detailed fleshing out of Trump's policies over the next few days to gauge the exact impact.

Trump's inauguration has pushed Dalal Street investors on a wait-and-watch mode with a negative bias towards the companies and industries that count the US as a major market, especially software services and pharma.

"The market will be apprehensive of Trump's policies and about what he actually means when he says 'Buy American, Hire American,'" said Nilesh Shah, MD, Kotak Mahindra Mutual Fund. "IT and pharma companies, along with other exporters to the US, would be under the radar. However, what could emerge as the silver lining is if Trump's anti-China policies actually result in a pro-India stance for the US," Shah said.

Among the leading Indian IT companies, the stock price of TCS, currently at Rs 2,287, has barely changed since November 8, the day of the US presidential election, while Infosys has lost 4.1% and Wipro is up 5.2%. Among the pharma stocks, Lupin is down 3.2%, Cipla is up nearly 7%, Sun Pharma has barely moved while Dr Reddy's Laboratories is down 5.7%. In comparison, both Sensex and Nifty are down about 2%.

Indians in US optimistic of nations' ties

Washington: Indian-Americans, including a prominent industrialist who attended Donald Trump's presidential inauguration, feel bullish about the prospects of Indo-US relationship under the new Trump administration.

"India-US relationship is all set to for a new beginning under Trump administration," said noted industrialist Prakash Hinduja, who attended various inauguration events, including swearing in ceremony at the Capitol Hill, and the presidential ball.

He had a brief interaction with Trump during a pre-inauguration dinner at the Union Station on Thursday.

"He (the president) wants to strengthen America's ties with India," Hinduja said after interacting with officials and leaders of the Trump administration. While there is no official record of the number of Indian-Americans attending inauguration related events, unofficial count is estimated to be around several hundreds.

Indian-Americans are going to be a strong pillar of this relationship, said Puneet Ahluwalia, finance chair of the Asian-American presidential inaugural ball. "We want India-US ties to be taken to the next level. I see a desire and commitment in this regard from the Trump administration," he said responding to a question. P11

Cash for green card route may get costlier by ₹5.4cr

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Mumbai: Indians wishing to immigrate to the US via EB-5 investment-linked visa route will have to shell out more. The minimum threshold investment limit is proposed to be raised from \$1 million (Rs 6.8 crore) to \$1.8 million (Rs 12.2 crore).

Currently, investors are permitted to invest a reduced sum of half a million for business operations in specified rural areas or those with higher unemployment limits, known as targeted employment areas (TEAs). Here the proposed investment has been hiked to \$1.35 million (Rs 9.2 crore).

These amendments were proposed on January 17 by the US department of homeland security (DHS) and a 90-day window is open for comments. Under the EB-5 programme, also dubbed as 'cash for visa', individuals can apply for lawful permanent residence in the US if they make the necessary investments and create at least 10 permanent full time jobs for US workers. They are granted conditional permanent residence for themselves, spouse and children below 21. After two years, they have to apply for lifting of the 'conditions'.

EB-5 offers two routes of investments — one is where the investor directly sets up his own business — and the other via in-

WRITING ON THE WALL

- Rise in investment limits proposed from \$1m to \$1.8m, which could dent the plans of proposed immigrants from India
- RBI's restrictions on repatriation and the higher threshold limit will result in logistical challenges
- Route for investing via regional centres extended to April
- New proposal permits investors to play a passive role in business

vestments in recognised regional centres, which in turn sponsors business entities. The latter is a more popular investment route. While it was to end in December, for now it has been extended up to April 28, 2017.

David H Nachman, managing attorney, NPZ Law Group, does not think that the increase in threshold will dent the number of EB-5 applications. "Bona fide investors generally possess in excess of the threshold required. The downside is that the increased funds required for investor visa will give them less operating capital that they originally anticipated for carrying on their business and innovative funding structures will need to be adopted. We notice that some of our clients are creating hospitality consulting firms and then entering into partnerships with other organisations to allow them to be able to have the capital that they need in order to do the intended investment," Nachman said. During 2015, 111 visas were

granted to Indian investors, 102 being for investments via regional centres. China, as the top source country, leads by a wide margin, with a total of 8,156 visas granted to investors from mainland China. In all, 9,764 visas were issued in 2015 — the outer cap is 10,000.

"As the Reserve bank of India permits overseas remittance of up to \$250,000 per individual per year, a family of four found it easier to meet the investment requirement of \$1 million. The increase in the threshold could lead to some logistical difficulties," says a Mumbai-based consultant. DHS is also seeking to amend the 'active management role' requirement of the regulations. "DHS has recognised that investors, particularly in pooled investment vehicles, may have minimal policy formulation rights in the new business enterprises. The proposed regulations indicate that it will be sufficient for them to play a mostly passive role," Nachman said.

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THE TIMES OF INDIA

CHANGE Begins Here

'Chashmish', 'kalu' jibes akin to ragging, says UP med college

Yogesh Dubey | TNN

Agra: S N Medical College officials here have warned senior students that strict action would be taken in cases related to ragging. The college has put notices across the campus stating what gesture and words amount to ragging. Among them are what college authorities have called derogatory terms, such as 'chashmish' for those who wear spectacles and 'kalu' for dark-skinned persons.

The president of the anti-ragging cell at the college, Dr S K Katharia, told TOI, "Any act of physical or mental abuse including bullying and exclusion, targeted at another student, whether a fresher or otherwise, on the ground of colour, race, religion, caste, ethnicity, gender, sexual orientation, appearance, region, nationality, linguistic identity or others will count as ragging."

An official of the S N Medical College said the institution did not have a dress code for fresher students, and that seniors should be gentle in dealing with the newcomers

"If any student is found guilty of such acts, they can be suspended, rusticated, and removed from the hostel, have their results withheld or face a fine up to Rs 25,000 or higher," Katharia added.

The college official also said that the institution did not have a dress code for fresher students, and that seniors should be gentle in dealing with the newcomers. "We do not force any student to cut their hair very short, or wear uniforms or buy textbooks from a particular shop. Even senior students found instructing juniors to follow any dress code will be punished according to the rules," Katharia added. Dr Saroj Singh, principal of the college, said that anti-ragging teams had been formed and if any student was found harassing a junior, action would be taken against him or her.