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Better days ahead

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BIZ SENSE

By Karun Rishi

The meltdown of the US economy has raised legitimate concerns among the Indian establishment and industry. The US economy is in dire straits. The repercussions are being felt across a wide spectrum of industries, notably in financial, banking, housing, automobiles and retail-the leading growth engines in the past decade.

The latest news was that 2,40,000 jobs disappeared in October-the 10th consecutive month of retrenchment in the US. Total jobs lost this year are about 1.2 million. More than half of these have been lost in the last three months. The unemployment rate has climbed to 6.5 per cent.

The Indian government and the industry have been proactive in monitoring the situation. The Prime Minister has conducted high-level meetings with his cabinet and the industry. The Reserve Bank of India has been taking tangible measures to support the industry and markets. In a globalised world, in which India is a leading player, the impact of the downturn will be felt. The question everyone is asking is: how much and how long will the economic downturn affect India?

The Indian outsourcing industry seems to be the most concerned. The victory of Barack Obama in the presidential elections has made the industry more anxious because of the comments he made during the election campaign. Though there is a reason to be concerned about the conditions in the US, we need to consider a few facts:

Populist political statements made during election campaigns do not necessarily translate into policy action. It does not mean that there will be no action. There will be pressure on public-funded projects to go to the local companies.

It may be intricate for the US government to force the private sector in the US, where most business is generated for the Indian companies, to scrap their sourcing relationships.

Take a look at the job postings of major corporations like Google, Microsoft, Cisco, Oracle and IBM. Even in these times, they are unable to fill positions that require high-tech skills. Businesses need highly skilled people to run their operations. Cost is only one element of sourcing. Availability of high-tech workers is the key to the survival and growth of these innovative companies.

Now, the US government will seriously support the skills upgrade of its workforce. The US is mainly an innovation economy. It needs highly skilled people to develop cutting-edge technologies. India's highly skilled manpower can supplement and support the local US workforce to develop and create new technologies to increase efficiency and reduce cost. There will be a few growth areas as well: Pharmaceutical exports: Generics industry in India is well established and many of its production facilities are FDA approved. Health care is an issue close to Obama's heart. Health care costs are prohibitive in the US. Though they hurt the innovative company, generics make drugs affordable. Indian pharma industry is well positioned to leverage this opportunity.

Clean energy: The US-India nuclear deal will help both US and Indian energy companies. Global warming is an issue before every government. Companies engaged in clean energy technology solutions are well positioned to leverage these opportunities. Overall, the bilateral trade will continue to grow, although the growth rate may be slower than last year's. Indian exports in certain sectors may be able to hold their position because of rupee depreciation. However, the actual growth rate will be under pressure. Indian Americans' hard work has strengthened the US-Indian relationship. It is mature and strong. Under Obama, it will only become stronger. American and Indian companies have exciting opportunities in collaborative research and to foster innovation. In the short term there may be economic challenges. The outlook is encouraging in the mid or long term.

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