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Severe damage

from Trump's

materialise

ating income. What's more,

around 16% of Wipro's top

line comes from the health-

care and life-sciences seg-

ment where business looks

less certain amid Trumps

move to repeal the Afford-

able Care Act, better known

as Obamacare. U.S. policies

Like its peers, however.

Wipro can only do so much

to limit the potential dam-

The industry now avidly

talks about onshoring and

localisation. Infosys has an-

nounced plans to hire

10,000 Americans over two

years. Such initiatives may

help a bit, but ultimately

they may just push costs up

Severe damage from

and

Trump's policies has yet to

sourcing is continuing.

Lowe's, a U.S. home-im-

provement retailer, just de-

cided to lay off more staff at

home and relocate some IT

positions to India, according

Sachs is building a giant

campus for 9,000 people in

Bengaluru. Even so, the In-

narrower

out-

Goldman

bring

really do matter.

age.

and

margins.

materialise

to news reports.

Meanwhile,

policies has yet to

Can India decode Trump's book of deals?

If it wants to boost exports, the country may have to follow the example of China and engage better with each U.S. State

ARUN S NEW DELHI

The U.S. is the nation that Narendra Modi has visited the most as the Prime Minister - four times so far. Mr. Modi will soon top this up with another tour - likely later this month, which will be his first after Donald Trump became the U.S. President. This signifies the importance attached to the New Delhi-Washington ties in the NDA Government's foreign policy priorities.

However, it is still to be seen whether Mr. Modi's fifth U.S. visit as the Indian premier will be restricted to striking up an acquaintance with Mr. Trump, or if it will witness substantive discussions on various contentious issues – especially relating to trade and investment that are now playing a defining role in bilateral ties. According to the joint

statement during Mr. Modi's first visit to the U.S. in September 2014, two-way trade had risen five-fold since 2001 to about \$100 billion. It had also said necessarv action will be taken to increase this to \$500 billion. However, since Mr. Modi's fourth visit to the U.S. in June 2016 during the presidency of Barack Obama, much has changed in terms of Washington's policy and outlook, generally, on trade.

Soon after taking charge as the President, Mr. Trump – in line with the promise he made during the election campaign - signed a memorandum in January 2017 directing the U.S. Trade Representative (USTR) to "withdraw the U.S. as a signatory to the Trans-Pacific Partnership (TPP), to permanently withdraw the U.S. from TPP negotiations."

The TPP is a mega-regional trade agreement that was inked by 12 nations, including the U.S., during the previous administration.

The memorandum signed by Mr. Trump also directed the USTR to "begin pursuing, wherever possible, bilateral trade negotiations to promote American industry, protect American workers, and raise American wages."

'Method in action'

Amiya Chandra, joint director general of foreign trade and the author of the recently released book titled



Pole position: China became one among 'top five import countries' in all U.S. states through a state-wise strategy that involved massive publicity for its products, celebrity endorsements and greater support for its exports. • GETTY IMAGES/ISTOCK

ʻIndian Foreign Trade: Trade Trumped Up or Down' – on 'demystifying Mr. Trump's dealmaking approach and ways to strengthen India-U.S. trade ties' – says: "You may call him (Mr. Trump) a bull in a china shop or whatever, but there seems to be a method in his so-called madness. If you can understand his dealmaking style, you will be able to deal with him better."

Regional

pact

the U.S. is not part of.

relating to that."

There's no

on our part

relating to an

India-U.S. FTA

WILBUR ROSS U.S. Commerce Secretary

the topic of an FTA." Instead

2009 on a Bilateral Invest-

Though bilateralism might

ministration's focus on bilat-

trade

The Office of the USTR, on March 1, clearly outlined Mr. Trump's radical shift in approach on trade and its reasons in 'the (U.S.) President's Trade Policy Agenda 2017'. The seven-page document states that in 2016, (U.S.) voters called for a fundamental change in direction of U.S. trade policy and that therefore, President Trump had called for a new approach. The document said every action taken by the Trump administration on trade will be designed. among others, to promote job creation in the U.S., strengthen America's manu-

facturing base and expand its agricultural and services industry exports. It further said "these

(new) goals can be best acprotect two-way investment, complished by focusing on but those negotiations are bilateral negotiations rather not close to conclusion. than multilateral negotiations" – a move that could get more traction than multiimpact (in terms of direction, lateralism under the Trump substance and pace) World administration, another sig-

Organisation-level nificant aspect of Mr. trade negotiations and indir-Trump's Trade ectly even other proposed Agenda 2017 was that it "remega-regionals such as the iected the notion that the Comprehensive U.S. should, for putative geopolitical advantage, turn a Economic Partnership (a proposed blind eye to unfair trade between 16 Asia-Pacific napractices that disadvantage tions including India) that American workers, farmers, ranchers, and businesses in As regards the Trump adglobal markets.'

Deficit, a worry

eral trade deals, when asked in April whether he favoured What is causing worry to the an India-U.S. Free Trade Trump administration is the Agreement (FTA), U.S. Com-U.S. trade deficit, particumerce Secretary Wilbur Ross larly on the goods front. "In said, "... there's no inherent 2000, the U.S. (overall) trade negative attitude on our part deficit in manufactured goods was \$317 billion. Last year, it was \$648 billion – an increase of 100%," said the negative attitude policy agenda. While agreeing that a rising trade deficit may be consistent with a stronger economy, the Trump administration said the real median household income in the U.S. remains Mr. Ross, however, said he lower today than it was 16 did not "believe that there years ago and that there had have been any serious disbeen a loss of almost five milcussions with India of late on

lion jobs since January 2000. Mr. Trump followed up of an FTA, India and the U.S. the reshaping of the U.S. had begun talks in August trade policy agenda with an **Executive Order on March 31** seeking an 'Omnibus Report' ment Treaty to promote and from the U.S. Commerce Secretary and the USTR (in consultation with other U.S. government departments or agencies) within 90 days on 'Significant Trade Deficits'. As per the U.S. govern-

ment, the trading partners with which the U.S. had a Policy 'significant' trade deficit in goods in 2016 included India. In 2016, the U.S. had a goods trade deficit of \$24.3 billion and a services trade deficit of \$6.5 billion with India – taking the total trade deficit to \$30.8 billion.

As per Mr. Trump's Executive Order, "unfair and discriminatory practices by our trading partners can deny Americans the benefits that would otherwise accrue from free and fair trade..." In 2016, the U.S.' overall trade deficit in goods was \$750.1 billion, while the overall goods and services trade deficit was \$502.3 billion (the

largest since 2012). The Hindu had reported that India's premier business association, the Confederation of Indian Industry (CII) in its recent submission to the U.S. government had, however, stated that: "... during 2011-2015. India's contribution to the overall trade deficit of the U.S. was only 2.5% (average).

Thus, India's share in overall U.S. trade deficit is too insignificant to cause any adverse impact on the U.S. economy." In its arguments against the allegation that American manufacturers are challenged by India's "excessively high tariffs on imports of a range of manufactured products", the CII said,

"the major products that the U.S. exports to India have tariffs between 0-10%. This is lower than the tariffs other countries place on the same products in which the U.S. trades."

Boosting trade

To boost trade and investment ties with the U.S., India's traditional approach has been to focus mainly at the national level and take up the industry's concerns mostly with the U.S. Federal Government in Washington D.C – be it on the U.S. visa curbs largely affecting the Indian IT sector or the U.S. 'non-tariff barriers' including those imposed under laws relating to national security, bio-terrorism, 'Buy America' norms preferring U.S.-made items and American suppliers in U.S. government purchases, child-labour, registration fee increases (in sectors such as pharma), food safety as well as animal and plant health regulations, all affecting Indian exports.

However, a more effective strategy would be to go in for greater engagement separately with the 50 States of that country. Public policy think-tank American Enterprise Institute (AEI), using U.S. Census Bureau data. showed that in 2016. China was the 'top import country' for 23 U.S. States, followed by Canada (14 U.S. States) and Mexico (4).

Also, Canada was the 'top export country' for 33 U.S. States, followed by Mexico (6) and China (4).

While Canada and Mexico have the advantage of having a free trade pact (NAFTA) and close geographic proximity with the U.S., China gained its place among the 'top five import countries' in all U.S. States through a State-wise strategy that involved massive publicity for its products, celebrity endorsements and greater support for its exports to the U.S., said Mr. Chandra.

In 2016, India was neither a 'top import country' nor a 'top export country' for any of the U.S. States despite the U.S. being India's top export destination and secondlargest source of imports. "We also need to evolve a similar state-wise strategy if we want to be in the top five list and further boost our exports," added Mr. Chandra.

COMMENT Indian tech sees red in U.S. policy

Wipro flags Donald Trump as big risk

UNA GALANI Its official: Donald Trump is a danger for Indian IT businesses. Outsourcer Wipro has named the U.S. president high up in a list of risk factors in its annual filing with the Securities and Exchange Commission. Wipro's disclosure the first printed in such strong terms by a big Indian tech group hammers home the specific vulnerability of the outsourcing industry to Western protectionism.

billion The \$21 Bengaluru-based company, the third-largest in the sector after Tata Consultancy Services and Infosys, warns that Trump's support for policies affecting trade agreements and his campaign criticisms of free trade could have an adverse impact on its business.

Fifth risk among 40

The alert is eye-catching for two reasons. First, Trump gets prominent billing, with Wipro placing him fifth on a list of more than 40 risk factors for the company and the SEC encourages its charges to rank concerns in order of significance. Second, the issue is identified separately from Wipro's concern about changes in global immigration policies that determine the company's ability to secure visas

for Indian staff to move to dian outsourcers, which other countries, where they forged their success on are typically paid less than open borders, now acknowlocal hires. ledge that Trump is one of The Americas account for

their greatest threats. more than half of Wipro's (The author is a Reuters revenue in its IT services di-Breakingviews columnist. The opinions expressed are vision, which accounts for the company's entire operher own)



A case for business: Despite protectionist noises getting louder, outsourcing seems to continue. •NYT

EXPLAINER How does the monsoon affect the economy?

SANJAY VIJAYAKUMAR CHENNAL

Earlier this year, the India Meteorological Department (IMD) had predicted the country would get normal monsoon rains in 2017. The state-run weather body last week said India's annual monsoon rainfall is expected to be 98% of the long-period average (LPA), up from 96% projected earlier, raising prospects of higher farm output and economic growth.

The forecast has a margin error of 4%. The monsoon is considered normal if rains in the June-September season are between 96% and 104% of a 50-year average of 89 cm.

Why are monsoon rains important for India?

■ The monsoon is the lifeblood for India's farm-dependent \$2 trillion economy, as at least half the farmlands are rain-fed. The country gets about 70% of annual rainfall in the June-September monsoon season, making it crucial for an estimated 263 million farmers.

About 800 million people live in villages and depend on agriculture, which accounts for about 15% of India's gross domestic product (GDP) and a failed monsoon can have a rippling effect on the country's growth and economy.

Whereas, a normal to above-normal and well-distributed monsoon boosts farm output and farmers' income, thereby increasing the demand for consumer and automotive products in rural markets.

YK C

What were recent trends? India witnessed a normal

monsoon in 2016 but only after two back-to-back poor monsoons in 2014 and 2015 that affected the overall growth in the country.

However, with a good chance of a normal monsoon in 2017, analysts expect the growth momentum to continue.

"The second consecutive year of normal monsoon will help revive consumption demand, which was severely affected by the de-legalisation of ₹500 and ₹1,000 notes," India Ratings and Research said.

> What happens in case of a poor monsoon?

The monsoon has a direct impact on the country's agricultural GDP. The planting of key kharif, or summer, crops like rice, sugar cane, pulses and oilseeds begins with the arrival of monsoon rains in June.

Summer crops account for almost half of India's food output and a delayed or poor monsoon means supply issues and acceleration in food inflation, a key metric which influences Reserve Bank of India's decision on interest rates.

A deficit monsoon could also lead to a drought-like situation, thereby affecting the rural household incomes, consumption and economic growth. A poor

monsoon not only leads to weak demand for fast-moving consumer goods, twowheelers, tractors and rural housing sectors but also increases the imports of essential food staples and forces

the government to take measures like farm loan waivers, thereby putting on finances. pressure Whereas a normal monsoon results in a good harvest, which in turn lifts rural incomes and boosts spending on consumer goods. It also has a positive impact on hydro power projects.

What is the current forecast for rain distribution? The monsoon rains arrive on the southern tip of Kerala by around June 1 and gradually covers a major part of the country by mid-

July before retreating by the end of September. The IMD has predicted seasonal rainfall this year to be 96% of LPA over north-west India, and 100% of LPA over cent-

ral India. Rains in the southern regions are likely to be 99% of LPA while precipitation in north-east India will be 96% of LPA in the four-month period. All projections have

a margin error of 8%. Rainfall in July and August, crucial months for crop sowing, over the country is expected to be 96%

and 99% of LPA, respectively, both with a margin error of 9%. India Ratings said the spread of monsoon over space and time is also forecast to be normal and that bodes well for agricultural output.

"Even the water storage available in 91 major reservoirs of the country for the week ending on 1 June 2017 was higher than last year by 128% and 105% of the last 10 years, which augurs well for kharif sowing," it noted.

Eyeing a relevant spot among exchanges

Even after 10 years in business, the Metropolitan Stock Exchange of India is trying to find its place

<u>ASHI</u>SH RUKHAIYAR MUMBAI

Back in 2012, when the MCX Stock Exchange (MCX-SX) was working towards starting its equity segment, its actions were being closely watched by the existing two stock exchanges - the BSE and the National Stock Exchange (NSE). To be fair, the unveiling in February 2013 did make an impact, albeit for a short period of time.

Enhanced technology got a foot in the door while brokers saw benefit as membership fees came down drastically. For the first time, perhaps, there was disrup tion in a segment where the NSE was the dominating big brother and BSE was a distant second with no third player in the fray.

But much water has flowed under the bridge since then. Today, there is no MCX-SX. What exists is the rechristened Metropolitan Stock Exchange of India (MSEI) and even after being in business for close to a decade - it started its currency trading segment in 2008 - it is still trying to find a place in the hugely competitive exchange space.

Eyeing a niche

The exchange has got a new management and it is trying hard to create a niche. It is focussing on product innovation and plans to come out with new products in all segments - currency, debt and equity derivatives.

Incidentally, last month London-based GMEX Group signed an agreement with MSEI to acquire a 5% stake in the exchange and its clearing corporation. The two entities plan to work in areas of product development, tech-



Up and down: MSEI's average daily trade value in the currency segment in May gives it a 6-7% market share, compared with more than 40% in 2013. It now wants to garner at least 15-20% share. • GETTY IMAGES/ISTOCK

nological innovation and market infrastructure development for new products and project finance.

"Our approach cannot be the same as others," said chief operating officer Abhijit Chakraborty. "We will have a blue-ocean strategy. We will focus on products that are not there on other exchanges," he said.

"For example, we believe there is huge development possible in the currency segment. If we are able to provide new products with efficiency of cost that could mean higher RoI (return on investment) to brokers as well, we could create a niche there," he said.

Interestingly, the exchange understands the importance of brokers in getting business to an exchange. Ahead of the unveiling of its equity segment in 2013, it had came out with an attractive membership scheme that had forced both the BSE and the NSE to reduce membership charges. It is again working on a strategy that would benefit got on board almost 250

the brokers through lower fixed and operational costs while trading on MSEI.

The exchange has been losing market share steadily over the years. Currency derivatives is the only segment where the exchange sees some traction, a change from the dominant entity it was a few years earlier.

In the month of May, the average daily trading value in the currency segment was ₹647 crore, which translates to a 6-7% market share. To put this in context, it had a more than 40% market share in 2013 when it clocked close to ₹12,000 crore daily. The exchange now wants to stem the slide and garner at least 15-20% market share.

To add to its woes, there is hardly any significant activity in the equity, debt and equity derivatives segments. However, the exchange is planning to unveil four new products across segments like currency, debt and equity derivatives this fiscal. To boost its numbers in the equity segment, it also

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companies that were earlier said MD and CEO Udai listed only on the regional Kumar. In 2009, SEBI allowed ex-

stock exchanges (RSEs), most of which are now hischanges to be open between tory after the Securities and 9 am and 5 pm in the cash Exchange Board of India and derivatives segments. Both BSE and NSE advanced (SEBI) came out with an exit policy for such bourses. the start time to 9 a.m. but "Any RSE-listed company did not extend the closing gets an immediate cost benetime due to resistance from fit if it chooses to list on brokers. Till then, trading MSEI as our charges are used to open at 9:55 a.m. much less than the other ex-MSEI is eyeing is that of the changes. That is the reason bulk and block deals space.

we have around 240 such companies on our platform. But, we do proper due diligence before allowing them to list on our platform," said Mr. Chakraborty.

Extended timings

The exchange is also toying with the idea of extended market timings

"We are in dialogue with the regulator for the markets to be open till 5 pm. It cannot be that one exchange is Exchange came out. open till 5 p.m. and others shut at 3:30 p.m. There Ltd - now renamed 63 needs to be unanimity ... We Moons Technologies - was are in favour of extended the promoter entity of NSEL market hours and will wait and also MSEI, which was for the regulator to decide," then known as MCX-SX.

ity can be a blessing as the almost nil volume in its cash segment would cut down the slippages when two parties execute such negotiated transactions on its platform. The road to recovery may not be easy for the exchange that lost the confidence of the market in 2013 when the ₹5,600 crore settlement controversy at the National Spot Financial Technologies

Another opportunity that

It believes that its low liquid-

A ND-ND