#### The Current Status and Future Prospects of India-Taiwan Relations

ICRIER-CIER Joint Feasibility Study

#### An Overview of Indian IT-ITES Industry

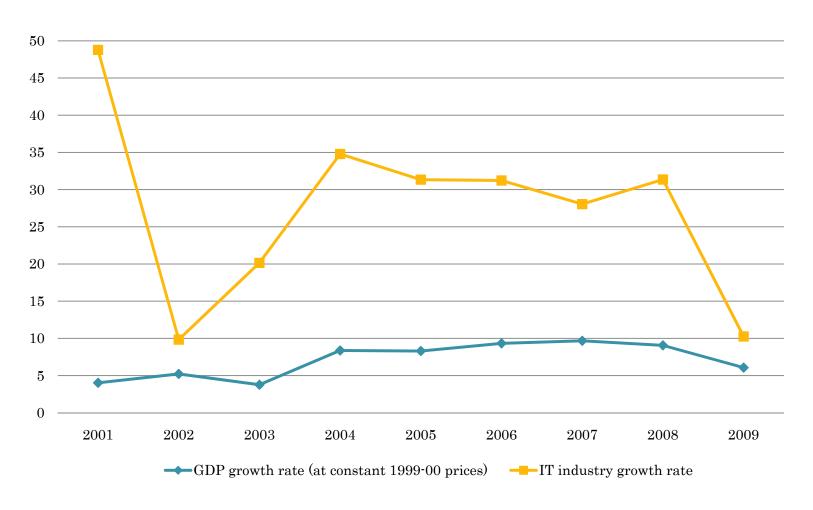
Scope for India-Taiwan Cooperation

Durgesh K. Rai 18/01/2011 New Delhi

### Outline

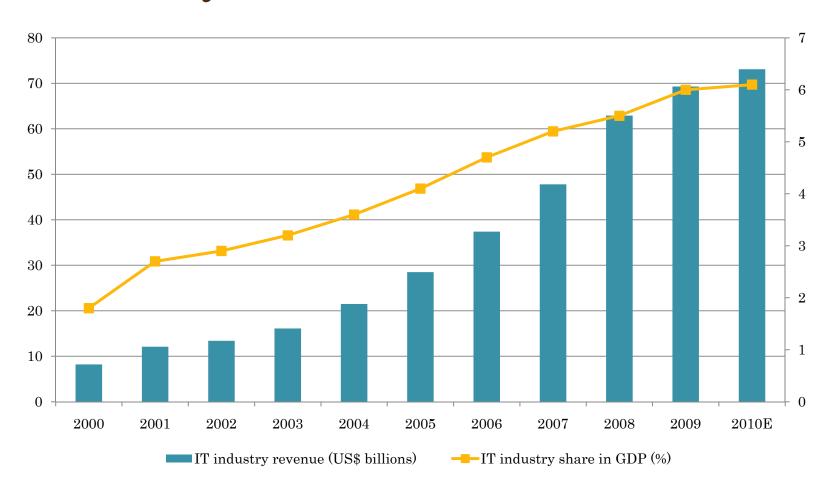
- Importance of IT industry in India
- Structure
- Trends and Patterns
- Scope for India-Taiwan Cooperation
- Way forward

## Significance of IT Industry in Indian Economy: Annual growth rates



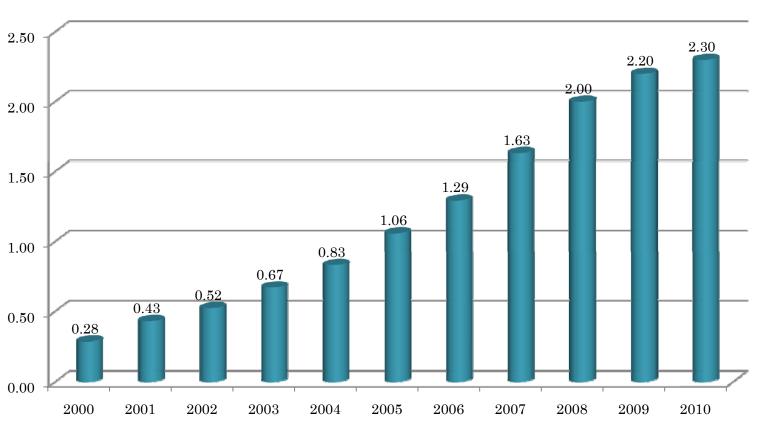
Source: CMIE Database and NASSCOM Strategic Review Reports (2005, 06, 07 and 10), compiled by author

## Significance of IT Industry in Indian Economy: Share in GDP

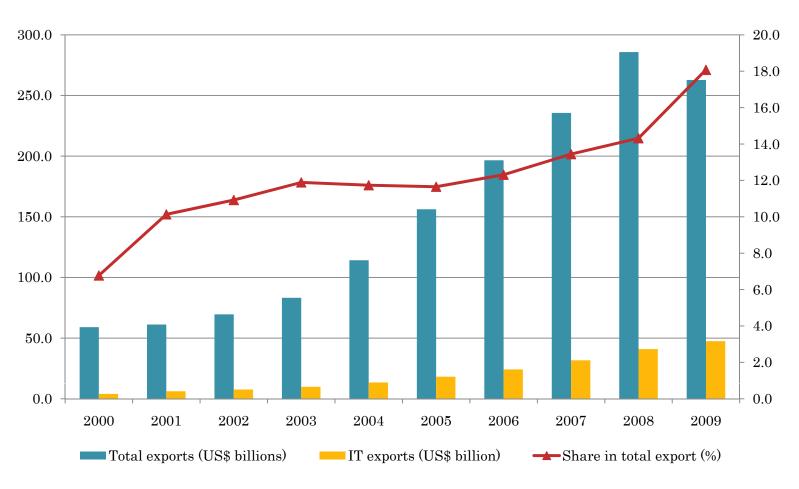


### Significance of IT Industry in Indian Economy: Employment generation (excl. hardware)

#### Employment (in millions)

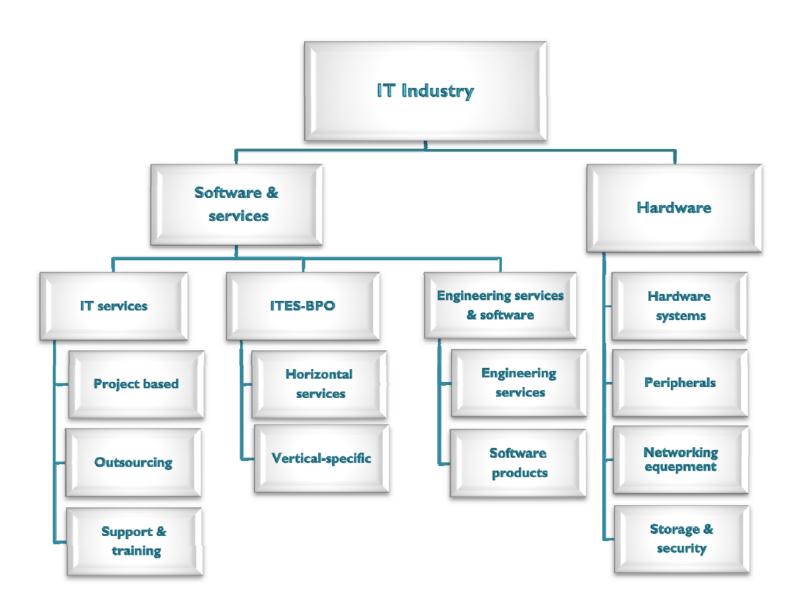


### Significance of IT Industry in Indian Economy: Contribution in total exports

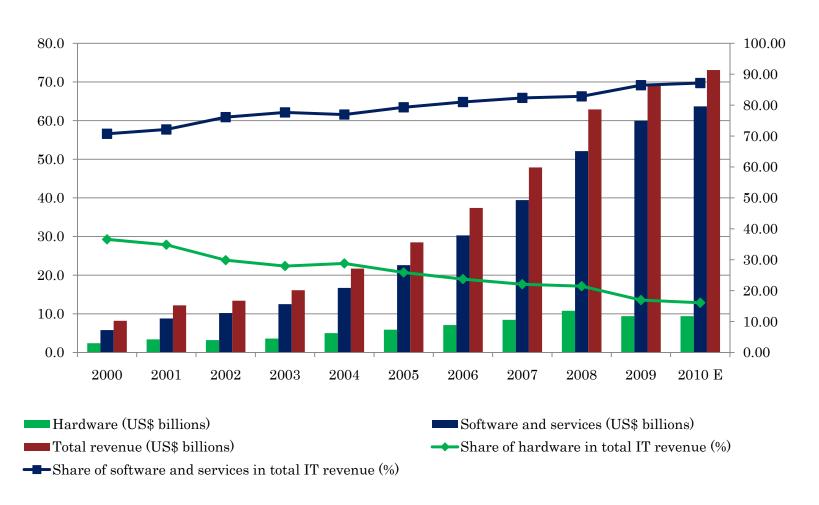


Source: WTO Trade Statistics 2010, UNCTAD Trade Statistics and NASSCOM Strategic Review Reports (2005, 06, 07 and 10), compiled by author

### Structure of Indian IT Industry

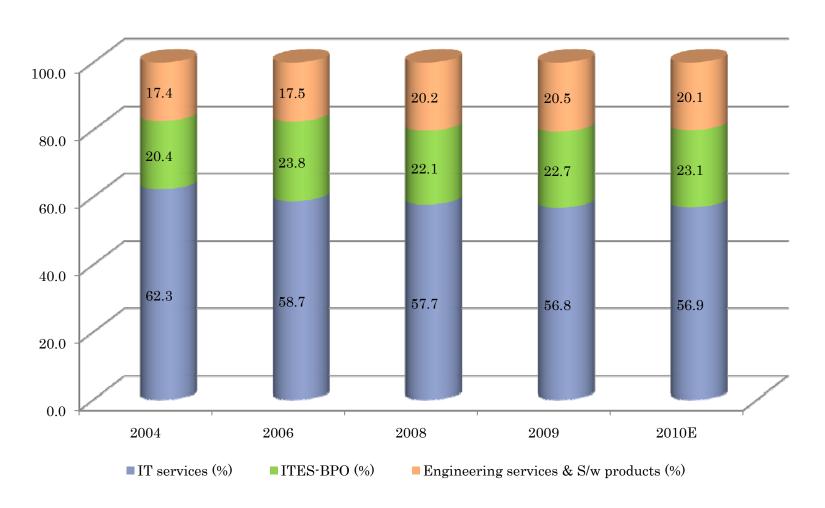


### Trends and Patterns: Software and services vs. Hardware

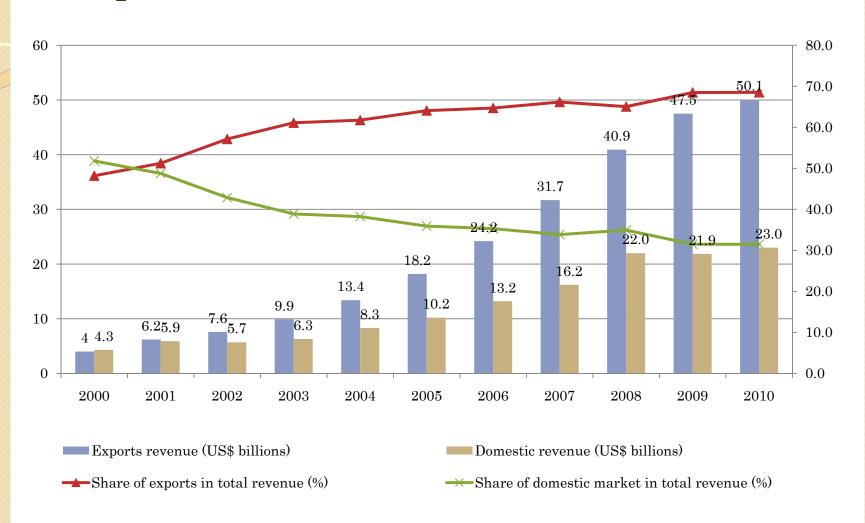


#### Trends and Patterns:

Trends and patterns within software and services



### Trends and Patterns: Exports vs. Domestic Market



### Trends and Patterns: Patterns and structure of exports

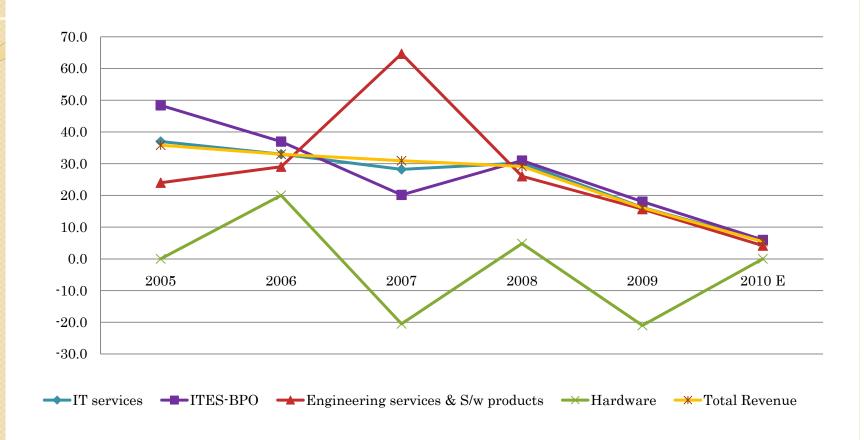
Table: Structure of IT export from India (US\$ billions)

Export items							
	2004	2005	2006	2007	2008	2009	2010 E
	7.3	10	13.3	17.1	22.2	25.8	27.3
IT services	(54.5 %)	(54.9%)	(55.0%)	(53.8%)	(54.3%)	(54.3%)	(54.5%)
	3.1	4.6	6.3	7.6	9.9	11.7	12.4
ITES-BPO	(23.1%)	(25.3%)	(26.0%)	(23.9%)	(24.2%)	(24.6%)	(24.8)
Engineering services &	2.5	3.1		6.6	8.3	9.6	10.0
S/w products	(18.7%)	(17.0%)	4 (16.5%)	(20.8%)	(20.3%)	(20.2%)	(20.0%)
	0.5	0.5	0.6	0.5	0.5	0.4	0.4
Hardware	(3.7%)	(2.7%)	(2.5%)	(1.5%)	(1.2%)	(0.8%)	(0.8%)
	13.4	18.2	24.2	31.7	40.9	47.5	50.1
Total Revenue	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)

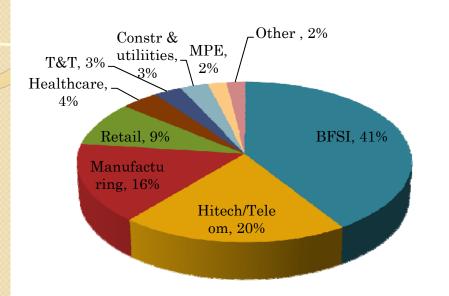
**Note:** Figures in parentheses are percentage of total exports of IT sector **Source:** NASSCOM Strategic Review (2005, 06, 07 and 10), compiled by author

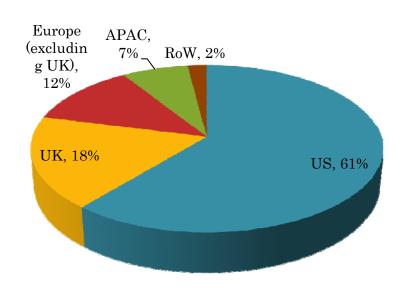
#### Trends and Patterns:

Annual growth (%) in various segments of exports



### Exports: Industry verticals and destinations (2010 E)





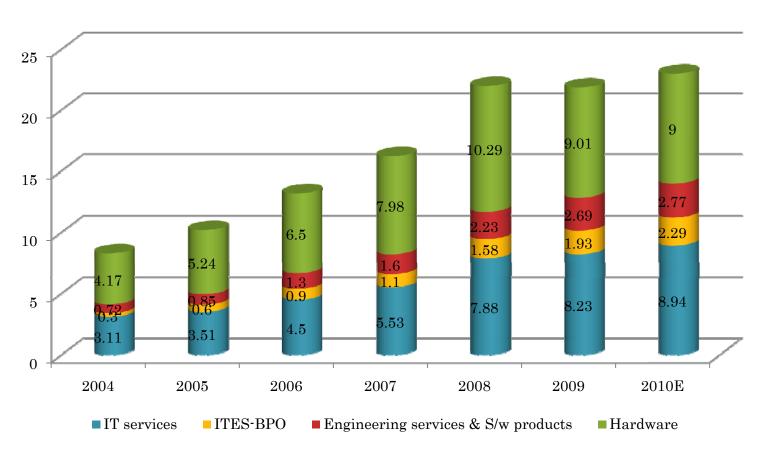
- •Exports: well diversified across the industry verticals but banking, financial services and insurance (BFSI) is dominant
- Although the global financial crisis had maximum impact on BFSI, IT spending has not significantly reduced
- Retail & healthcare: emerging verticals

- •Traditionally the US and UK have been most important destinations: socio-cultural affinity, major spenders on technology and early adopters of global sourcing model
- Over the past few years revenue growth from the US has lagged other regions, but trend was reversed in 2010. IT spending has increased in post crisis period
- Asia Pacific: emerging region for Indian service providers: Japan.

#### Trends and Patterns:

#### Patterns and structure of domestic market

Figure: Patterns and Structure of Domestic IT Market (in US\$ billions):



#### Scope for India-Taiwan Cooperation

- Both known for IT prowess, global oriented, vital component of world IT supply chain
- India: leading destination for IT software and services sourcing
- Taiwan: strong in manufacturing or hardware segment
- Bilateral engagements between the two IT industries is limited
- Immense opportunity for strengthening bilateral engagements
- Complementarities in policy outlook
  - India is trying to expand its IT manufacturing base along with moving up in the software and services value chain
  - Taiwan is promoting the industry to move into high-end services like design services, R&D services, digital content, etc.
- Complementarities in strengths in IT industry: India's strength in software could be meshed with Taiwan's prowess in hardware
- Scope for trade expansion: variety of segments like PC and peripherals, 3G mobile equipments and phones
- Taiwan is looking for diversify its sourcing option: India offers vast pool of labour force, stable and fast growing economy, advanced ICT investment environment
- Great potential for Taiwanese firms to outsource a host of requirements from India
- Collaboration between companies from both sides will be a win-win situation for competing and capturing the world market

#### Way forward

- Limited knowledge: hardly any detailed study
- Both sides are still more focused on conventional markets India: US and Europe, Taiwan: PRC
- There is a need for a comprehensive study that can offer clear understanding of each other's market
- A survey-based research required to
  - (a) Study the the potential of enhancing bilateral trade and investment
  - (b) Identify barriers
  - (c) Identify areas of co-operations
  - (d)Examine existing regulations in both markets and suggest what the governments should do

# Thank You