Indian IT industry faces twin challenges of Trump, automation

REUTERS, *Mumbai*

AUTOMATION and the new US administration were the big unknowns at the Indian tech sector's annual shindig this week, with machines threatening to take away thousands of jobs and concerns over possible visa rule changes in the key American market.

But senior executives from the $150 billion industry, which rose to prominence at the turn of the century by helping Western firms solve the "Y2K" bug, said companies with skilled English-speaking staff and low costs could not be written off yet.

The sector, led by Tata Consultancy Services, Infosys Ltd and Wipro Ltd, is lobbying hard as the new US administration under President Donald Trump considers putting in place visa restrictions.

The administration may also raise salaries paid to H1-B visa holders, a move that could significantly increase costs for IT companies that are already facing pressure on margins.

The longer-term challenge and opportunity for the sector was automation, executives said, as global corporations from planemakers to consumer firms bet on the use of machines to further cut costs and boost efficiency.

That threatens lower-end software services and outsourcing jobs in a sector which employs more than 3.5 million people.

Summing up the mood at the three-day NASSCOM leadership event in Mumbai ending on Friday, Malcolm Frank, Chief Strategy Officer at Cognizant which has most of its operations in India, spoke of "fear and optimism."

Even top IT executives were "fearing the machines", he said.

Some Indian executives, including Infosys' Chief Operating Officer Pravin Rao, said that greater automation was expected to help engineers and developers shed repetitive jobs for more creative roles.

"Some part of the work we'll be automating 100 percent, you don't require people to do that kind of work," Rao told Reuters. "But there are always newer things, where we will be able to re-purpose employees who are released from those areas."

With rapidly changing technology, Indian IT firms are emphasizing the need for retraining their workforce, in many cases setting up experience centers and learning zones on their sprawling campuses.

Some companies are partnering with universities to design and fund education programs, while staff members spoke of employers laying on training and webinars to help develop skills in automation and cloud computing.

"The threat from automation killing jobs is more than Trump's anticipated visa rule changes," a general manager-level employee at a top Indian IT firm said.

REUTERS

Delegates attend software and services companies' India leadership forum in Mumbai.

NASSCOM chairman and Tech Mahindra CEO CP Gurnani said technology would create new roles where "man will manage machines," even if a fourth of Indian IT jobs were to be replaced by machines over the next four years.

Hiring patterns may also change, with unconventional, high-value graduates likely to be more attractive, to the possible detriment of hiring from India's engineering colleges.

Infosys, which traditionally recruited only engineering graduates, is considering hiring people educated in liberal arts to add creative skills to its workforce, COO Rao said.

In a first, NASSCOM (National Association of Software and Services Companies), the leading Indian IT lobby group, delayed its initial growth forecast for fiscal 2017/18, citing market uncertainty.

NASSCOM officials said it had deferred its predictions by three months to give it time to gauge policy announcements in the United States which could make immigration rules tougher.

The industry body aims to announce a firmer growth forecast after the quarter to March when IT companies report annual earnings and give guidance for the next fiscal year.

"A certain level of ... uncertainty will continue over the medium-term," said NASSCOM President R. Chandrashekhar. "And businesses therefore have to take essential decisions on new technology in the face of a certain degree of uncertainty."

Tax incentives could lure migrants back home: OECD

REUTERS, *New York*

Migrants from developing nations could be tempted to return home if exempted from paying taxes on their savings and given opportunities to build on their foreign experience, an intergovernmental think-tank said in a major report on Friday.

The recommendations, which come amid the largest movement of refugees and migrants since World War Two, are among proposals put forward by the Organisation for Economic Co-operation and Development (OECD) to encourage the return of migrants from poor countries.

The number of international migrants has doubled in the past quarter century, reaching 240 million, the 35-nation economic policy body said in its report launched in New York.

As world leaders grapple with stemming the migrant flow, the study by the OECD's Development Centre urged poor countries to invest in policies that can lure back citizens and convince them to stay.

"Return migration is a largely underexploited resource," the report said.

"With the right policies in place, return migrants can invest financial capital in business start-ups and self-employment and have the potential to transfer the skills and knowledge acquired abroad."

The OECD researchers found that attracting back migrants who had gained experience or education abroad was a top economic priority for governments in the 10 countries they examined.

The study looked at Burkina Faso, Ivory Coast, Costa Rica, the Dominican Republic, Haiti, Morocco, Georgia, Armenia, Cambodia and the Philippines.

It said measures which could persuade migrants to return included abolishing taxes on savings they bring home, providing opportunities to use skills acquired abroad, offering refresher courses to help them re-enter the job market, and boosting social and health services.

Researchers said the decision of returning migrants to remain in their home country was directly related to how much the authorities spent on public welfare.

In Costa Rica, which had the highest relative spending on social and health services - some 16 percent of GDP, 95 percent of migrants who had returned home said they intended to stay, according to the study.

After night in cell, Samsung scion taken for questioning

REUTERS

Samsung Group chief Jay Y Lee arrives at the office of the independent counsel team in Seoul yesterday.

REUTERS

HANDCUFFED and tied with white rope, the scion of one of the world's biggest conglomerates, Samsung Group, was taken on Saturday for questioning by South Korean authorities after spending a night in a small detention cell.

Samsung Group chief Jay Y. Lee was arrested on Friday for his alleged role in a corruption scandal that has led to the impeachment of President Park Geun-hye.

The 48-year-old Lee, who has a net worth of $6.2 billion, heads the technology giant that is the world's biggest manufacturer of smartphones, flat-screen televisions and memory chips.

Lee arrived at the special prosecutor's office at about 2:20 pm (0520 GMT) clean-shaven and expressionless. He was wearing a dark suit, white shirt and no tie as he was escorted by officials from a justice ministry van.

The special prosecutor's office accuses Lee of bribing a close friend of the president to gain government favors related to leadership succession at the conglomerate. It said on Friday it will indict him on charges including bribery, embezzlement, hiding assets overseas and perjury.

He spent the night at the Seoul Detention Centre on the outskirts of the capital in a small single cell with a toilet in the corner behind a partition.

Special prosecution spokesman Lee Kyu-chul said on Friday that officials were working to supplement inadequacies in their investigation into Lee, without elaborating.

While Lee's detention is not expected to hamper day-to-day operations at Samsung firms, which are run by professional managers, experts said it could hinder strategic decision-making at South Korea's biggest conglomerate, or chaebol.

Samsung's history tainted by run-ins with the law

AFP, *Seoul*

Starting off as a humble grocery store 79 years ago, South Korean giant Samsung has a checkered history, with its founder, his son and grandson all having run-ins with the law.

The sprawling conglomerate now so dominates South Korea that citizens joke they live in the "Republic of Samsung". But three generations of the Lee family have faced charges including tax evasion and bribing government officials.

The heir to the business, Lee Jae-Yong, was arrested Friday as part of a probe into corruption and influence-peddling that caused President Park Geun-Hye to be impeached, in a body blow to the firm's reputation.

The Samsung Electronics vice chairman is accused of paying nearly $40 million in bribes to Park's secret confidante to secure policy favours.

Both his father and grandfather were also linked to tax evasion but were never physically detained, creating a widespread perception that the family operates above the rule of law.

Samsung -- which means "three stars" in Korean -- started out as a grocery store in the southeastern city of Daegu in 1938 when Lee Byung-Chull moved away from his large landowning family in nearby southern Uiryeong county. It grew fast, expanding to Seoul in 1947, before Byung-Chull branched out into fertiliser, textiles, insurance and electronics in the 1960s.

However scandal quickly engulfed Byung-Chull when the company's fertiliser unit was caught smuggling artificial sweetener amid allegations he had planned to share the proceeds with corrupt politicians.

He avoided imprisonment in return for "donating" the fertiliser unit to the state, but his second-born served six months in prison.

AFP/FILE

Samsung Chairman Lee Kun-hee attends a dinner for executives at Hotel Shilla in Seoul.

Byung-Chull's third son Lee Kun-Hee, who inherited the business after his oldest son fell out of favour, was also engulfed in legal turmoil.

Along with many other business tycoons of the era, Kun-Hee was charged with bribing then-President Roh Tae-Woo and given a two-year suspended sentence in 1996.

Almost a decade later in the mid 2000s, Kun-Hee was questioned by prosecutors after audio tapes of Samsung executives discussing ways to bribe politicians and state prosecutors were leaked to the press.

Samsung issued a public apology and made a donation of 800 billion won ($700 million) to charity.

But just two years later Kun-Hee found himself in hot water once again when a former Samsung lawyer claimed he had bribed government officials on Kun-Hee's orders and his private bank account had been used to hide the company's billion-dollar slush fund.

A special law was enacted in 2007 to investigate Samsung, Kun-Hee and his only son Jae-Yong. Jae-Yong was questioned over allegations that a Samsung subsidiary issued stocks at cut-price rates to help him inherit control of the group but he was not formally charged.

Kraft Heinz bids $143b for Unilever in global brand grab

REUTERS, *London*

US food company Kraft Heinz Co made a surprise $143 billion offer for Unilever Plc in a bid to build a global consumer goods giant, although it was flatly rejected on Friday by the maker of Lipton tea and Dove soap.

A combination would be the third-biggest takeover in history and the largest acquisition of a UK-based company, according to Thomson Reuters data.

It would bring together some of the world's best known brands, from toothpaste to ice creams, and combine Kraft's strength in the United States with Unilever's in Europe and Asia.

The global packaged food industry is grappling with slowing growth, new competition from upstart brands, deflation in developed markets and more health-conscious consumers.

Although Kraft, which is controlled by US billionaire Warren Buffett and private equity firm 3G Capital, said it looked forward to talking terms, Unilever said it saw no reason to discuss a deal without financial or strategic merit.

Kraft approached Unilever earlier this week, according to people familiar with the matter, who declined to be identified because the approach was confidential.

Kraft believes that investing in innovation would be an important part of the combined company, one of the people said. Kraft has also offered to keep three headquarters for the combined company in the United States, Britain and the Netherlands,

REUTERS/FILE

A branded taxi stands outside Unilever's Marmite factory in Britain.

the source added.

Credit rating agency Moody's characterized the bid for Unilever as "credit negative" as the combined company would be more highly financially leveraged. There would be offsetting benefits such as cost savings, an expanded geographic footprint and improved product diversification, the agency said.

Kraft wants the combined company's credit rating to be investment-grade, according to the sources. Kraft has until March 17 to make a final bid for Unilever under UK takeover rules.

Unilever shares rose to a record following news of the offer, which analysts at Jefferies called a "seismic shock", and closed 15 percent higher, short of Kraft's $50 per share offer price, with the news lifting shares across the sector.

Unilever said Kraft's proposal included $30.23 per share in cash, payable in US dollars, and 0.222 of a share in a new enlarged entity per Unilever share and represented an 18 percent premium to its share price on Thursday.

"We believe Kraft will likely need to raise its offer substantially if it hopes to change the outcome," RBC Capital Markets analyst David Palmer said in a research note.

Kraft's move could flush out other bidders for Unilever, but of the potential rivals, US consumer giant Procter & Gamble Co may face antitrust hurdles, while pharmaceutical and consumer packaged goods company Johnson and Johnson would likely not be interested in household products.