

NASSCOM STATEMENT ON BREXIT ANNOUNCEMENT

June 24, 2016: The National Association of Software and Services Companies (NASSCOM) termed the Brexit announcement as a phase of uncertainty in the near term but a mix of challenges and opportunities in the longer term.

The Europe market is of prime importance to India. It is the second largest market for the Indian IT-BPM industry, constituting almost 30% of the industry's export revenue of about \$100 billion. The UK plays a key role within this market. In addition to representing a large share of our members' activity in Europe, many use the UK as a gateway for further investment across the European Union.

Our initial analysis of the near term impact on technology and services sector includes:

- Likely decline in the value of the British Pound, which could render many existing contracts losing propositions unless they are renegotiated.
- The uncertainty surrounding protracted negotiations on the terms of exit and/or future engagement with EU could impact decision making for large projects.
- Indian IT companies may need to establish separate headquarters/ operations for EU, may lead to some disinvestment from UK.
- Skilled labour mobility across EU and UK could be impacted.
- Changes in the financial system, banks and impact on currency could ensue

“NASSCOM urges policy makers in Brussels and London to provide greater clarity and guidance on the next steps as soon as possible, so that our businesses have the certainty they need to continue to invest in UK and Europe”, said NASSCOM President **R Chandrashekhar**. The initial commentary from the policy makers in UK indicates their commitment to minimize the possible negative impact of this referendum.

In the long term, however, Brexit could lead to strengthening of India-UK economic relationship as UK seeks to compensate for loss of preferential access to EU markets. This could open up new opportunities for UK and India as well. With the existing 800 Indian companies employing 110,000 individuals in the country, a deeper partnership with India may be in Britain's interest. Additionally, with UK less dependent on intra-EU immigration into UK, it could become more open to high-skilled immigration from other non-EU countries including India. Further, UK would be under no obligation to adopt restrictive EU data localization norms which it does not subscribe to in their entirety. All these factors could benefit India-UK bilateral economic relations.

“NASSCOM will continue to foster, to the extent possible, the strengthening of the UK-India and EU-India relationships, and this is especially the case in the areas of technology trade and all related aspects including mobility of highly-skilled workers.