

A US-India 'reset'

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In the past few years, the world's two largest democracies have witnessed deceleration in their trade and commercial relationship due to various domestic and international factors. On both sides, companies face challenges related to market access and protectionism, while some concerns related to the relationship at multilateral platforms remain contentious.

However, in the run-up to Prime Minister Narendra Modi's visit to the US this month, positive signals towards renewed collaboration are emanating from both sides. The visits of Secretary of State John Kerry, Commerce Secretary Penny Pritzker and Defence Secretary Chuck Hagel carried forward the momentum. Stalled dialogues such as the US-India Strategic Dialogue, the Trade Policy Forum, the Private Sector Advisory Group, the Commercial Dialogue and so on are on the table again.

Mr Modi's upcoming visit to the US must build on these positive sentiments to address certain issues that have been on the backburner. CII has proposed a 10-point agenda for both governments to examine. A recent CII CEOs' delegation to Washington DC in July emphasised these in high-level meetings with key stakeholders in the US government and business as well.

One, labour restrictions effectively amount to trade barriers in knowledge-driven economies. For India, limiting or restricting the movement of professionals under the H-1B and L1 visa regimes is a concern. Issues such as immigration reform of 2013 or delays in L1 visa renewals complicate the operations of Indian companies in the US. We suggest creating an institutional mechanism to address these issues. Social security taxation must be addressed through a totalisation agreement to lower costs for employees on short-duration contracts in the US.

Two, India must create a business climate conducive to attracting and increasing US private sector participation in India's infrastructure needs. Through greater outreach programmes and initiatives like the infrastructure debt fund, India will be able to revive project order inflows — and in particular, draw in the cutting-edge technology, equipment, capital, services and know-how of US companies.

Three, Budget 2014-15 has provided huge thrust to the micro, small and medium enterprise sector, focusing on clusters and skill development. Involving smaller enterprises from both sides will help in achieving bilateral trade targets. An "Indo-US SMEs' CEO Forum" at the official level can address the specific needs and interest of the sector. The reinstatement of the Generalised System of Preferences (GSP) programme, applicable with retroactive effect, is required to enhance the competitiveness of the SME sector, especially in manufacturing.

Four, India and the US together must together encourage a more facilitative innovation ecosystem, collaborate with incubators, set up a joint corpus and initiate more joint innovation programmes under forums such as the Indo-US Science & Technology Forum (IUSSTF) and the Global Innovation and Technology Alliance (GITA).

Five, with the Budget allocating ₹7,600

crore to develop 100 smart cities, the two countries can build on the proposal, "conversation between cities", put forward during the 2012 US-India Strategic Dialogue. The US may like to consider a flagship project in this space.

Six, it is imperative that bilateral dialogues such as the ministerial trade policy forum and the commercial dialogue should resume. In their absence, the concerns of specific companies (especially on the US side) have shifted to the public domain, with attendant misunderstandings and official action. Although certain companies may face challenges related to market access, taxation, IPR, etc, it is critical that both sides employ quiet diplomacy and constructive dialogue to engage and resolve such issues.

Seven, education and skill development offers many opportunities for India-US collaboration. Greater student and faculty exchanges as well as adaptation of the community college model in India and the passage of the Foreign Education Provider's Bill can help build on the existing educational relationship. In skill development, the US can partner in areas such as curriculum development and training of teachers.

Eight, there is room for strengthening US-India cooperation in the area of technical standards and certifications, which often act as non-tariff barriers. The success of the India-US Standards Portal jointly established by the American National Standards Institute (ANSI), the Bureau of Indian Standards (BIS) and CII is a great model to build on.

Nine, with the hike in the FDI cap in defence, co-production and co-development are potential areas of cooperation. India's long-term priority is to develop a strong domestic defence manufacturing sector, and hence FDI should translate into capability creation. Secretary Hagel's visit has helped deepen discussions on military exercises and defence trade and we hope this will result in greater participation of the US and Indian private sectors on co-production, new technologies, etc.

Ten, the energy sector will be vital to bilateral cooperation. There has been some progress in getting US firms to set up nuclear power plants in India under the landmark civil nuclear agreement between our countries. Both sides must also harness opportunities in sectors such as clean and renewable energy, clean technologies and energy conservation and efficiency. Manufacturing cooperation in green goods and technological cooperation in off-grid energy access are also possibilities. Shale gas will also begin flowing from the US to India next year, which will further deepen our energy partnership.

Though two-way trade is nearing \$100 billion, we have barely scratched the surface. The investment story is equally positive. For example, a CII study in 2013 found that 68 Indian companies have invested \$17 billion in the US economy and created 81,000 jobs. This is an incredible success story in our bilateral relationship. We have a real window of opportunity to truly capitalise on the positive momentum in the US-India partnership. It is time to hit the 'reset' button.

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