

GUEST COLUMN

For a stronger India-U.S. bond

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As Prime Minister Narendra Modi travels to the U.S. this week, it is worth recalling that one of President Trump's first phone calls following his inauguration was to the Indian leader, where he termed India as a "true friend and partner in addressing challenges around the world."

The U.S.-India partnership has historically enjoyed bipartisan support, with successes in defence, security and civil nuclear cooperation over the last two decades. In trade and investment, the U.S. is India's second-largest trading partner and the fifth-largest source for foreign direct investments. In the last five years, total trade in goods has remained at around \$64 billion. In services, there has been a surge, with India's imports of U.S. services increasing by a third and exports to the U.S. rising more sedately over three years.

However, in recent months, concerns like the trade deficit and labour mobility threaten to overshadow the otherwise positive trajectory of the relationship. These perspectives overlook the fact that the U.S. is India's second-largest source of imports, following China. Tariffs on major U.S. products are lower in India than in other countries. In the last three years, the Indian government has rolled out numerous reforms, making India among the most attractive investment destinations. Liberalisation of FDI policies in multiple sectors such as defence production, real estate and insurance, create new opportunities for U.S. firms. The U.S. already ranks fifth in India's FDI profile. Equally, the U.S. remains a favourite destination for Indian companies. A CII survey of 100 Indian companies in 2015 showed 91,000 jobs were created in the U.S. with investments of over \$15.3 billion.

High-skill labour

A critical factor impacting business engagement between the two nations is an unprecedented focus by

the U.S. on high-skill labour mobility. Indian firms firmly support weeding out the abuse of the visa system. Many have committed to local hiring, including Infosys, which has announced a plan to hire 10,000 Americans. Social security payments by Indian firms also contribute to the local economy. Companies also assist in funding training (especially in Science, Technology, Engineering and Maths) for U.S. veterans and students.

A major foundation of the relationship is security and defence collaboration. The U.S.-India Defence Technology and Trade Initiative aims to develop strategic partnerships. Resultant defence contracts are helping



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create jobs in the U.S. while the partnership in defence is helping address the shared concerns about terrorism and other regional security issues. It is critical that both sides acknowledge the mutual benefits of our economic relationship, as companies from both nations deserve a non-discriminatory and level-playing field.

Indian industry has been calling for the early negotiation and conclusion of a Bilateral Investment Treaty to support trade engagement and further encourage two-way investment flows. It is also important to make progress on a Totalisation Agreement to help avoid double taxation for short-term workers.

As the terms of globalisation are transforming in unexpected ways, it is even more important for the two nations to stress upon a stronger economic relationship, leveraging India's rapid growth and the more stable economic environment in the U.S. The gains from such a sound trade and investment partnership go beyond profits for businesses to strategic and geopolitical outcomes.

(The writer is director general, Confederation of Indian Industry)