

ECONOMY WATCH

For a win-win bilateral trade diplomacy

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Prime Minister Narendra Modi's second visit to the U.S. is garnering even more interest than his first trip, particularly because in the intervening year, the India-U.S. dialogue has intensified. The Prime Minister is also slated to travel to California, the first to do so at a time when people of Indian origin have established themselves as frontrunners in technology and entrepreneurship in this vibrant region. Indian industry has high hopes from the visit.

In the run-up to the Prime Minister's visit, the Strategic and Commercial Dialogue included encouraging emphasis on economic cooperation, placing it at the heart of the India-U.S. relationship. A joint work stream on Ease of Doing Business has been launched to address trade issues through quarterly meetings. As noted in the joint statement, CII and the American National Standards Institute will be setting up a portal for standards information to update trading companies on trade requirements. A notable mention was made of discussions on Totalisation of social security arrangements, raising hopes that a solution could be evolved on vexing social security payments made by Indian companies for their short-duration workers in the U.S.

Bilateral exchange of goods and services between the two countries crossed \$100 billion in 2014, up five-fold from 2000. The U.S. is India's second largest trade partner for goods and by far its largest export market. The two countries have decided to take strong measures to increase trade to \$500 billion while notable steps have been announced for increasing investments.

Indian investments in the U.S. are robust compared to investments in the other direction in relation to sizes of respective economies. As per a CII-Grant Thornton report, the top Indian companies in the U.S. have recorded over \$15 billion of investment across all states and employ about 95,000 persons directly. U.S. investments in India stand at \$28 billion cumulatively, according to U.S. sources. Indian industry expects Mr

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Modi's visit to act on a dual-pronged approach. On the one hand, issues hindering trade in goods and services need to be resolved to achieve the \$500 billion trade target in the shortest possible time. On the other hand, a huge push needs to be imparted to U.S. investments in India, particularly across manufacturing and infrastructure.

Regarding trade, the multiple dialogue platforms revived during the past year have set the stage for new announcements. The Trade Policy Forum, High Technology Cooperation Group and CEOs Forum are looking at cooperation in areas such as agriculture, services, manufacturing and intellectual property. Some of the matters taken up in these meetings include social security totalization, visa regulations, ease of doing business and international standards.

Trade in services can be promoted through facilitative regulations regarding movement of skilled personnel, technology and data. It is important to develop a separate work visa for professionals on short duration contracts so that they are exempted from Annual Quota, non-refundable social security taxes and labour conditions applications.

Stepping up investments

On the investment side, India's development agenda presents many opportunities. The U.S.-India Infrastructure Collaboration Platform has been envisaged to assist U.S. companies explore infrastructure opportunities in India. U.S. initiatives through the U.S. EXIM Bank and the U.S. Trade and Development Agency would facilitate \$4 billion worth of investments in India. The India-U.S. CEOs Forum has requested an ambitious Bilateral Investment Treaty. Under India's Smart City initiative, the two governments have identified Allahabad, Ajmer and Visakhapatnam for partnership with U.S. companies. High-level committees are being set up for each of these cities including representatives of different departments, State governments and U.S. industry, and three MoUs have already been signed.

The manufacturing sector as a whole is set for rejuvenation under the 'Make in India' campaign. The 25 sub-sectors identified closely align with strengths of both U.S. and Indian industry, particularly in automobiles, chemicals, pharmaceuticals and biotechnology. The campaigns of Skill India, Digital India, Clean Energy and Swachh Bharat offer attractive vehicles for U.S. investors. Technology companies are already exploring potential under Digital India and could work on creating digital infrastructure, setting up e-governance services and leveraging the huge mobile space. This partnership could gain hugely from the Mr Modi's visit to California. With the strong personal commitment of leaders of both countries, the India-U.S. economic partnership is on track for a transformational jump and Indian industry greatly looks forward to the outcomes of the sustained dialogue process and the Prime Minister's upcoming visit.

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