

Guns, gas and technology

As President Trump wraps up his two-day trip in India, the goal of \$500 billion in two-way trade looks within sight



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U.S. President Donald Trump's first official visit to India could lead to significant outcomes, as there have been regular and sustained engagements between Mr. Trump and Prime Minister Narendra Modi on the sidelines of forums such as the G7, the G20, and the United Nations General Assembly.

Today, the two countries are collaborating on issues ranging from maritime security to international terrorism, and have recently signed a number of agreements, including the Logistics Exchange Memorandum of Agreement (LEMOA) and the Communications Compatibility and Security Agreement (COMCASA), to push the levels of strategic collaboration to wider fields. In the last few years, the U.S. has categorised India as a 'Major Defense Partner' and granted it the 'Strategic Trade Authorisation-1' status.

Trade between the two countries has reached a new high. Total two-way trade flows increased to \$142.3 billion in 2018, with 2019 figures estimated to be even higher, inclusive of India's recent liquefied natural gas (LNG) and aircraft purchases. This is expected to go up further with India agreeing to buy naval helicopters from the U.S.

FDI from U.S.

Steady inflows of capital from the U.S. attest to India's attractiveness as an investment destination for American companies. The U.S. is the fifth-largest source of Foreign Direct Investment (FDI) to India, with a cumulative capital stock of \$28 billion. The presence of U.S. companies is found across diverse sectors of the Indian economy including defence and aviation, agriculture, health, education, and insurance. Preliminary findings from a recent CII survey indicate that nearly 86% of U.S. firms are 'very bullish' or 'moderately bullish' about India's economic outlook, with approximately 73% of U.S. firms surveyed viewing India as a favourable investment destination and planning to invest more in the next 12 months.

For their part, Indian companies are expanding their investments in the U.S. as well, with the CII's data reflecting historic rates of investment and job creation, numbering over \$18 billion and 1,13,000, respectively. Their investments in research and development as well as Corporate Social Responsibility

activities are on the rise, and they are well-integrated with local communities and economies of many U.S. States. The goal of \$500 billion in two-way trade is within sight. CII research suggests that in an improved trade scenario, this target could be reached as early as 2030. Businesses from both sides must come together to explore joint strategies and opportunities to resolve issues and facilitate further business. The two most promising sectors for future cooperation are energy and defence. In energy, India would continue to rely on U.S. liquefied natural gas of which it is already the sixth-largest buyer. Indian companies have invested \$4 billion in the shale gas sector in the U.S. already. With four working groups set up for oil and gas, energy efficiency, renewable energy and sustainable development, the energy partnership is set to undergo a further jump.

In the defence sector, India has built up its sourcing from the U.S. The recent 2+2 dialogue led to three agreements being inked under the Defense Technology and Trade Initiative to co-develop and co-produce critical technologies. With India's aspiration to invite FDI in its nascent defence production sector, U.S. companies will have good options for tie-ups with Indian businesses.

Partnerships in technology

While these sectors will continue to dominate the India-U.S. bilateral relationship for the next few years, an aspirational knowledge economy can be envisioned as the way for partnerships ahead. Such an economy would be based on high-technology exports, robotics, artificial intelligence (AI), electric vehicles, and other emerging sectors.

More than 1,200 top global companies, including many from the U.S., have established research and product development centres in India, gaining from the competitive talent available here. As digital transformation becomes the new strategy for enterprises across the globe, Indian and U.S. companies can join hands to shape lives, businesses, and value propositions. Artificial intelligence is likely to dominate the business space in coming years, and India and the U.S. can drive this phenomenon with capacity building of both people and enterprises. Start-up collaborations between two of the most vibrant and dynamic new entrepreneurship hubs can be identified for areas such as agriculture, healthcare and education.

The synergies between the world's two largest democracies are vast and the visit of Mr. Trump is bound to create new interfaces.

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