

Business that Goes Beyond the Roadblocks



Chandrajit Banerjee

The Devyani Khobragade row led to a series of spats with the US, including a probe into India's trade policies, the US downgrading India's aviation safety, protests over the safety of Indian generic drugs and so on.

US-India relations are passing through a challenging phase, but we should not lose sight of the big picture. We will soon have a new political dispensation in New Delhi and mid-term elections in America later in the year. There is a window of opportunity for businesses to come together to find lasting solutions.

The top concerns of US companies are India's taxation regime, the innovation ecosystem and the infrastructure deficit. India's taxation system may not appear as transparent as those of developed economies. So, in our 10-point agenda presented to the government, we estimated the goods and services tax (GST) could add 1.5 percentage points to the overall GDP growth rate. It is the best stimulus the government could provide to our economy, making the taxation system more transparent and predictable and boosting investor confidence.

The rancour around India's intellectual property rights protection and innovation ecosystem needs more nuanced understanding. India's patent laws are fully compatible with WTO's requirements. India has only made use of flexibilities accorded to countries under the Doha declaration. Indian industry's innovation capabilities are also increasing and it is

in our interest to have an innovation-enabling environment.

The challenges facing Indian industry in the US rest on the movement of high-skilled labour. There are concerns about the version of a bill passed by the US Senate, which could dent Indian companies and their US clients, and will only make US companies less competitive in the global marketplace. The Indian pharmaceutical industry and the US financial services industry also face issues with the US Food and Drug Administration and concerns on provisions under the Foreign Account Tax Compliance Act (Fatca), respectively.

Yet, business continues and companies continue to make investments, develop facilities, penetrate new markets, and hire and train workforces in both countries. We need businesses to thrive. This was evident at the recent panel discussion on Capitol Hill, featuring success stories in the US-India partnership. The event highlighted the economic successes of three US corporations in India — Corning, Ford Motors and Gilead — and three Indian companies in the US — Essar Americas, Flex Films (USA) Inc and

Mahindra USA.

Joseph Crowley, the co-chair of the House India Caucus, and S Jaishankar, ambassador of India to the US, echoed the sentiment that economic relations will continue on an upward trajectory, restoring confidence.

US companies have invested \$50 billion in India across sectors like pharmaceuticals, automobiles, construction equipment, financial services, information technology and food processing. They have experienced tremendous increase in sales and profits in recent years. The story of Indian companies in the US is no less impressive. According to Select USA, India has emerged as the eighth fastest-growing source of all FDI into the US. The CII survey of 2013 highlighted the collective contributions of 68 Indian companies in the US. It showed the geographic footprint of Indian companies across 40 US states.

The five US states with the highest concentration of Indian companies are New Jersey, California, New York, Texas and Illinois. Their collective investments amount to \$17 billion and they generate employment for more than 81,000 people in the US. About one-third of the companies undertake R&D and have spent over \$340 million on R&D activities.

While IT has been one of the best-known successes of Indian companies, Indian investments are getting diverse, and are growing in sectors like manufacturing, pharmaceuticals, minerals, renewable energy, financial services, travel and hospitality. US companies in India and Indian companies in the US have a responsibility to comprehend each other's national priorities, consider the best way forward in tackling obstacles, and collaborate on building a joint future that accelerates growth and employment.



The writer is Director General, CII