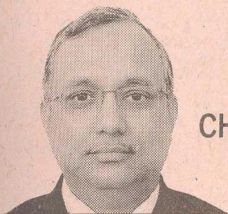


Modi's US visit

Striking a balance in business ties

While challenges in the short-term seem difficult to get around, opportunities for long-term strategic partnership are many



CHANDRAJIT BANERJEE

In a recent column, John Kerry, US Secretary of State, and Penny Pritzker, US Secretary of Commerce, rightly observed that India and the US can forge a new era of shared prosperity and security for hundreds of millions of people in India, across Asia and the world.

This is possible as India enjoys a strong, warm and friendly relationship with the US, founded on common commitment to democratic institutions, peace and prosperity, a robust and expanding economic cooperation agenda, and close people-to-people links.

The visit of Prime Minister Narendra Modi to the US offers new hopes for strengthening bilateral engagement. Positive signals have emanated from both sides since the new government assumed charge in India. The successful completion of India-US strategic dialogue was a significant first step towards reinvigorating the India-US relationship. The recent high profile visits of John Kerry, Penny Pritzker and Secretary of Defense Chuck Hagel have added to the momentum.

In terms of business relations, India-US trade has grown exponentially over the past decade or so. Today, India is America's 11th-largest trade partner, 18th-largest export destination and 10th-largest source of imports. Total merchandise trade grew from \$36.5 billion in FY10 to \$61.6 billion in FY14 as per Indian data. US services exports to India have also grown from \$10.06 billion in 2005 to \$27.61 billion in 2011, an increase of nearly 175%!

FDI from the US has totalled \$12.1 billion between April 2000 and June 2014, the fifth-largest FDI volume in India.

India has emerged as

the eighth-fastest growing source of FDI in the US. According to a 2013 CII survey, 68 Indian companies have invested \$17 billion in the US economy and generated a total of 81,000 jobs.

Many US companies are availing of India's low-cost advantage and its inherent strength in R&D. Likewise, Indian companies too are engaged in knowledge-rich areas in the US, including biotechnology and pharmaceuticals.

However, no relationship is bereft of challenges. Indian companies operating in the US face many challenges. In addition to the most prominent issues such as restrictions on labour mobility and "image" concerns, there are a number of specific issues being faced by Indian companies particularly in the pharmaceutical, agro-manufacturing, and financial service industries. A strong and persistent effort from both countries to open markets and foster a spirit of collaboration is critical to maintain and improve growth.

On the flipside, the perception in the US seems to be that India is curtailing market access for American companies. Issues such as the civil nuclear agreement, FDI in multi-brand retail, retrospective taxation and others have resulted in the US Congressional and other official enquiries into Indian trade practices, placing the country on wrong footing. There appears to be insufficient understanding of India's de-

velopment concerns particularly on areas such as food security, job creation and need to drive industry as an instrument of economic progress. Moreover, India's slow GDP growth rate and low investments over the past three years have subdued US investor interest.

It is our strong belief that the India-US strategic partnership goes beyond merely transactional and needs to strive to achieve a balance between a sustainable and long-term strategic partnership and comparatively short-term goals. There is clearly a need to communicate more with each other, not only to remove misunderstandings but also to highlight new areas of opportunities for cooperation.

Development of industrial corridors: India is currently undertaking a major project to develop industrial corridors connecting all four corners of the country. The US and India can work together to not only help develop these corridors but to also invest in manufacturing facilities around the corridors. These corridors could be ideal for Indian and American SMEs to set up manufacturing facilities. They could take advantage of the ded-

icated freight corridors to plug into the global supply chain.

Skills and vocational education: The key to promoting orderly growth of manufacturing is to adequately train the workforce in the skills required by the Indian industry today. The challenges to do so are immense and India can seek to work with the US. New initiatives in faculty and student exchange, curriculum development, joint degrees, among others, could lend a much-needed boost to this sector.

Defence production JVs: With the government raising the FDI limit in defence to 49%, there is now scope for US and Indian companies to set up JVs in this field and help India develop a strong military industrial complex.

Development of smart cities: The government has also announced that it will create 100 smart cities. This is a unique area for the two countries to work together. The technological prowess of the US can play an important role in helping develop these cities.

Joint R&D: There is a need for broader and deeper cooperation between India and the US in the fields of science and technology, R&D and innovation, since efforts in these areas will increasingly define the path of economic development in the coming years.

Infrastructure investments: Indian industry recommends renewed focus on the trillion-dollar spend in India which can benefit greatly from US technology, financing and participation.

The US and India can work together to create not just a defining economic partnership but also help catapult India's rise as a significant player in the global arena.

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