

US AND INDIA: BUILDING BRIDGES IN THE INFRASTRUCTURE SECTOR

In an op-ed written by President Obama and Prime Minister Modi just ahead of the Prime Minister's visit to US in September 2014, the two leaders stated "We will ensure that economic growth in both countries brings better livelihoods and welfare for all of our people. Our citizens value education as a means to a better life, and our exchange of skills and knowledge will propel our countries forward. Even the poorest will share in the opportunities in both our countries."

One cannot help but reflect on how this statement has been a cornerstone of the US-India relationship. In the 1950s, to help India tide over a famine-like situation, India and the US entered into an arrangement called PL 480. This arrangement allowed India to buy 3.1 million tonnes of wheat per year for three years. Subsequently, Indian scientists were sent to American agricultural universities for training, leading to the setting up of up of agricultural universities in several states.

A decade later, Dr. Norman Borlaug launched the Green Revolution in India with the adoption of high yielding varieties of wheat. This helped India achieve self-sufficiency

in food grain production and avoid widespread famine-like situations.

Today, India is facing another major shortfall - this time in the infrastructure sector and once again there are major opportunities for the US to step in and help India develop this sector.

Infrastructure development has been a critical prerequisite for sustaining the growth momentum. Over a decade (2002-2012), private sector has invested approximately USD 250 billion in various infrastructure projects. At the same time, Indian companies like GMR & GVK have expanded their footprint globally in countries like Turkey, Indonesia, Australia etc. Importantly, capacity enhancement in the country has witnessed a significant expansion over the last two decades. Going forward, in the 12th Plan period (2012-17), the Government has revised its estimates & is now expecting USD 265 billion out of a total investment requirement of USD 680 billion to come from private sources, including foreign direct investments.

Within infrastructure, the power sector is estimated to require the maximum investment at USD 175 bil-

lion, followed by roads & highways (USD 95 billion), railways (USD 55 billion), ports (USD 15.5 billion) and airports (USD 5.5 billion) respectively.

This presents a major opportunity for US companies to participate in the Indian Infrastructure sector. Some suggestions for US-India cooperation in this sector include:

Public- Private Partnership: Indian infrastructure has one of the largest PPP markets in the world today. The PPP experience has hugely impacted and altered the way infrastructure is developed and managed in the country. PPP infrastructure has moved from core sectors like physical infrastructure to social infrastructure like

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—CHANDRAJIT BANERJEE, DIRECTOR GENERAL, CII

health & education; from Centre to States and to urban local bodies. India can utilize US's experience in in-



frastructure financing, consulting, project planning, design, construction et al.

Infrastructure Financing: In continuation with the investment momentum, it is envisaged that the infrastructure sector requires an investment of about US\$ 1 trillion over the given time period of 2012-17. This translates into investment in the range of 9-10% of GDP. Half of amount is estimated to come through private/PPP mode. The Indian corporate bond market, which is still in its infancy, can learn a lot from the well-established US bond market. Further, US PE Funds can acquire a stake in operational infrastructure assets in the country and share their experience, best practices in areas of bid and tender process, value and quality of the infrastructure asset over life, transparency mechanisms and so forth.

Technology: With the size & complexity of infrastructure projects offered increasing over the years, better quality infrastructure assets need to be created. US companies could offer technical expertise and share their international experience in the area of reducing the carbon footprint of infrastructure projects.

Development of Industrial Corridors: India is currently undertaking a major project to develop industrial

corridors connecting all four corners of the country. Work on the Delhi-Mumbai Industrial Corridor is already under way. US and India can work together to invest in manufacturing facilities around the corridor. Indian and US SMEs can work together to set up facilities around these corridors and take advantage of the dedicated freight corridors to plug into the global supply chain.

Renewable Energy: The role of renewable sources in enhancing energy security has received significant attention in India. Although the shale gas revolution in the US presents huge potential for Indo-US partnerships, making cities energy smart will also open up opportunities in market development across several areas including energy efficient appliances, storage technologies, off grid solutions, smart grids and renewable technology solutions, etc.

Smart Cities: The Government of India has launched an ambitious plan to build 100 smart with any initial investment of USD 1.1 billion to address India's overcrowded urban environment. US companies can play a leading role in providing expertise and supporting sustainable infrastructure development in Ajmer, Allahabad and Vizag-the 3 cities so far identified for development by US firms

In conclusion, US-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. President Obama's upcoming visit to India presents a unique opportunity to jumpstart this shared ambition.