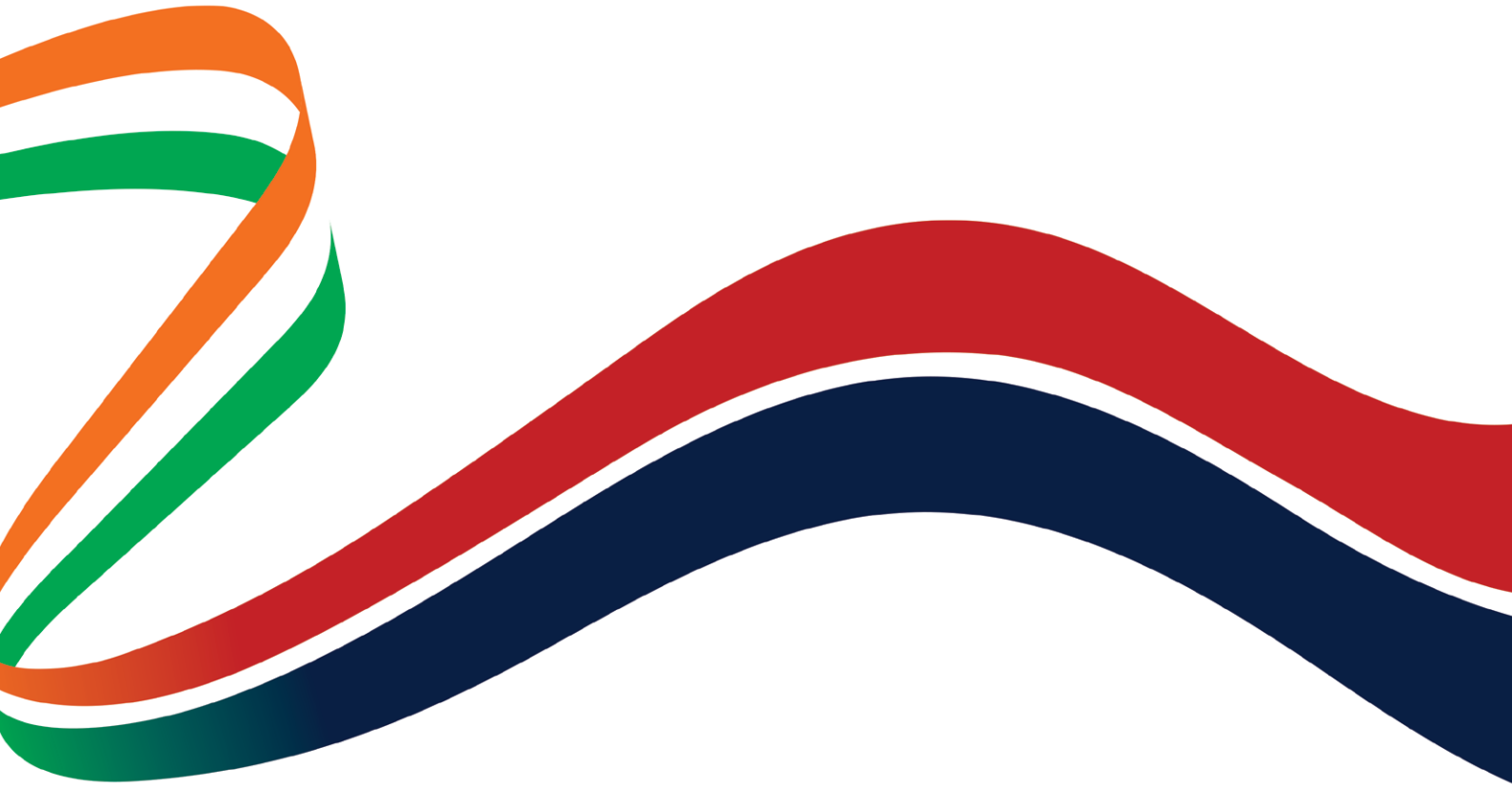
45 YEARS US INDIA BUSINESS COUNCIL

Confederation of Indian Industry
125 Years: 1895-2020

$500B ROADMAP



U.S.-India Bilateral Partnership:
Aiming High

Index

Foreword

Chandrajit Banerjee and Nisha Biswal

"$500 billion in two-way trade" has come to be a shorthand for the aspirations of policymakers and industry leaders focused on growing the U.S.-India commercial partnership. U.S.-India Business Council Chairman Terry McGraw first unveiled the $500 billion target in 2012, and the idea took on momentum following then-Vice President Joe Biden's visit to the Mumbai Stock Exchange in 2013. The timing was no accident—U.S.-India trade figures quintupled in the first decade of the 2000s - demonstrating the relationship's vast potential.

Since 2014, when the U.S.-India Joint Statement formally cemented $500 billion as a shared bilateral goal, U.S.-India bilateral goods and services trade has grown from $105 billion to $142 billion. In 2018, the U.S. and India ranked as each other's ninth and third largest trade partners, respectively. Recent reforms have catapulted India's standing in The World Bank's Ease of Doing Business ranking to 77th globally—the top-ranked country in South Asia—and a sweeping slate of economic reforms unveiled by the Modi 2.0 government over the past several months promise to make trade and investment by foreign companies easier than ever. The outlook is bright for business in India.

Still, more progress is needed to unleash the full potential of the economic relationship. The Confederation of Indian Industry,the U.S. Chamber of Commerce's U.S.-India Business Council and our members stand ready to work with stakeholders to address existing challenges. Together, we focus on connecting businesses and governments to address barriers to trade, accelerate investment, enhance cooperation and make '$500 Billion' a reality.

As the U.S. and India continue to bolster strategic, defense and people-to-people ties, we believe it is critical for the two countries to address trade irritants proactively to avoid casting a shadow on the positive trajectory of the U.S.-India partnership. We have held extensive consultations with industry executives, thought leaders, and policy experts, and created a roadmap of recommendations to share with our respective governments and the larger global business community.

Innovation in both new and existing industries—and support in both countries to help businesses thrive and grow—will be key to delivering on this longstanding goal. We see boundless opportunity for collaboration in the digital economy, aerospace and defense, energy, infrastructure, and the manufacturing sectors, all driven by next-level technology and innovation, and cemented by our shared values and people-to-people ties. In this report, we provide an assessment of current trends in U.S.-India trade and the policy moves that will push the relationship towards faster growth, as well as several case studies of growth in areas outside of the traditional industry verticals. We hope that government officials, industry leaders and independent policy analysts alike will find this assessment useful as we work to achieve our shared goal of $500 billion.

Sincerely,

Chandrajit Banerjee
Director General, Confederation of Indian Industry

Nisha Biswal
President, U.S.-India Business Council

Introduction: The U.S.-India Bilateral Partnership: Aiming High

The U.S.-India bilateral partnership has run on two parallel tracks of engagement for several decades–the strategic and defense partnership on one side, and the economic and trade relationship on the other. The strategic partnership has strengthened beyond expectations, with close understandings and shared interests on a range of issues including maritime security, defense cooperation, counter terrorism and regional security architecture bringing the countries together.

In the last two years alone, India has been categorized by the U.S. as a 'Major Defense Partner' and has been accorded 'Strategic Trade Authorization-1' (STA-1) status, a designation typically reserved for NATO allies. The two sides have also signed two major foundational military agreements, the Logistics Exchange Memorandum of Agreement (LEMOA) and the Communications Compatibility and Security Agreement (COMCASA). These designations and agreements make possible closer military cooperation, data sharing, and the export of sensitive technologies from the U.S. to India. These agreements should lead to increased sales of military and security products and services between the two countries.

> There has been a fundamental move towards the strategic convergence of interests and values

> The U.S.-India defense partnership has flourished

In addition, we have seen the strategic convergence between the U.S. and India on the concept of the 'Indo-Pacific,' with the U.S. recognizing the central role of India in this security and regional construct. On the issue of counter terrorism as well, there has been very close bilateral cooperation and an alignment of views.

In sum, there has been a fundamental move towards the strategic convergence of interests and values as both countries seek to preserve a global order based on international rules applicable to all nations. Despite this progress, two major issues have arisen that may create wrinkles in the bilateral strategic relationship–the re-imposition of sanctions on Iran, which could have follow-on effects for India's access to affordable energy, and India's purchase of the S-400 defense system from Russia. India remains vulnerable to U.S. sanctions in both cases, although both governments have made efforts to reach a compromise.

While the U.S.-India defense partnership has flourished, the bilateral economic relationship remains under some strain despite growing trade and investment ties. For India, the U.S. is its largest export destination (encompassing 15.7% of Indian's total exports in 2017-2018) while India was the U.S.' 13th largest goods export market in 2018. The U.S. is India's second largest source of imports (5.7% of India's total imports in 2017-2018) and India was the U.S.' 10th largest supplier of goods imports in 2018. The U.S. share of India's exports and imports has also risen steadily over the past decade. The U.S. remains a top priority for Indian businesses for trade and investments, while U.S. companies have become household names in India. Looking back, two-way trade in goods and services was only $19 billion in 2000–the trade partnership has thus ballooned by more than 7 times in less than two decades.

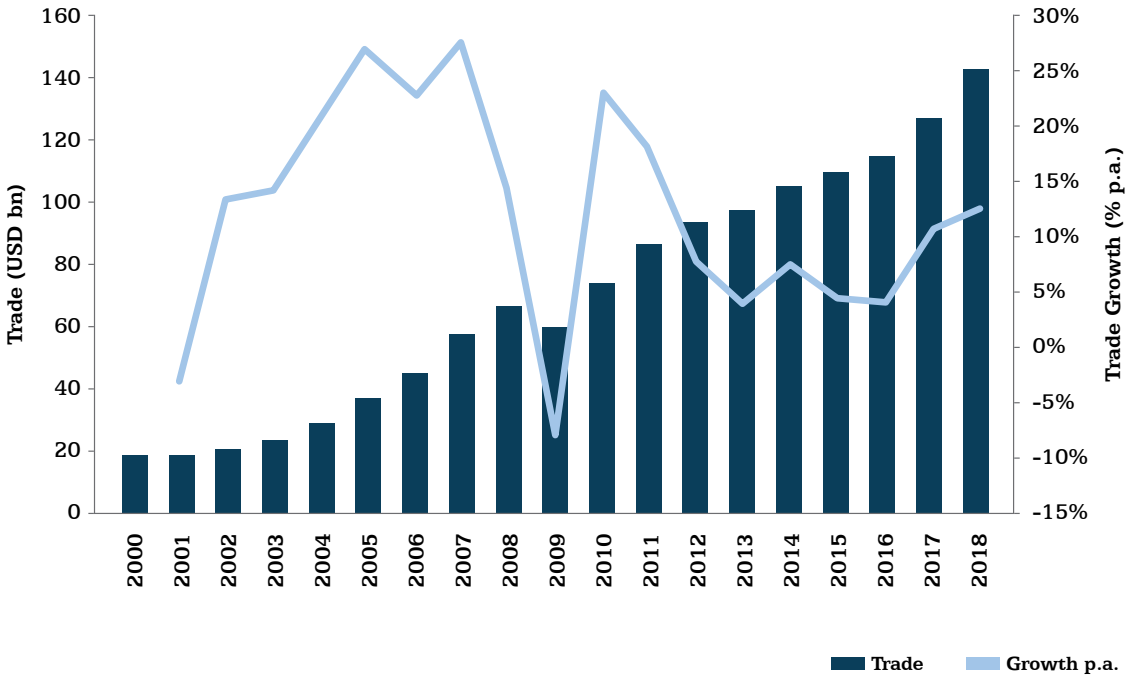
U.S.-India Trade and Investment Overview

Total Trade Trends

India-U.S. trade has grown significantly over the last two decades, from $19 billion in 2000 to $142 billion in 2018–a whopping 7.5x and a compound annual growth rate (CAGR) of 11.8%. Overall trade consistently witnessed double-digit growth until 2011, excepting two years of negative growth in 2001 and 2009 due to the global economic downturn.

Although trade growth moderated to single-digit levels from 2012–2016, it has picked up again in the past two years. This upswing in large part corresponds to significant economic reforms in India. These reforms stimulated inbound bilateral investment and strong, broad-based economic growth in India. They also coincided with increased Indian investment into the United States, which experienced a period of strong economic growth.

India-U.S. Trade (2000–2018)



Source: United States Census Bureau, U.S. Bureau of Economic Analysis

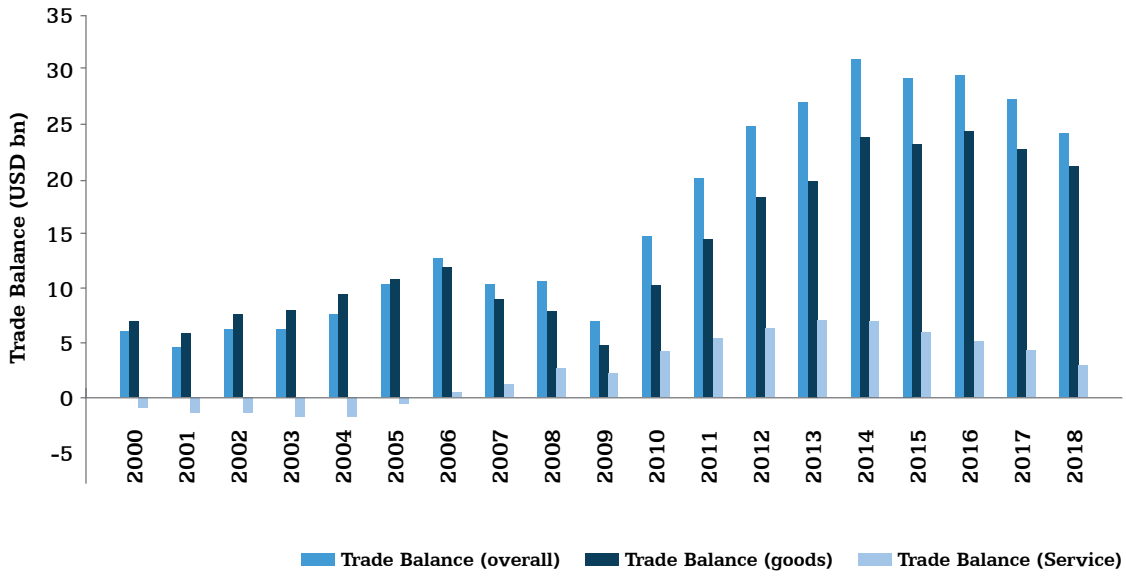
https://ustr.gov/countries-regions/south-central-asia/india#

Trade Balance

Historically, exports from India to the U.S. have constituted a significantly higher proportion of trade vis-à-vis imports into India from the U.S. Although India still maintains a positive trade balance in both goods and services, trade in goods accounted for over 80% of the trade balance in 2018.

Still, we are beginning to see a shift in the trade balance between the U.S. and India, with exports as a percentage of total trade declining from around 66% in 2000 to 59% in 2018. Furthermore, it is noteworthy that in recent years, the U.S. trade deficit with India decreased from $31 billion in 2014 to $24.2 billion in 2018, a decline of nearly 22%, due in large part to Indian purchases of U.S. defense systems.

India-U.S. Trade Balance (2000–2018)



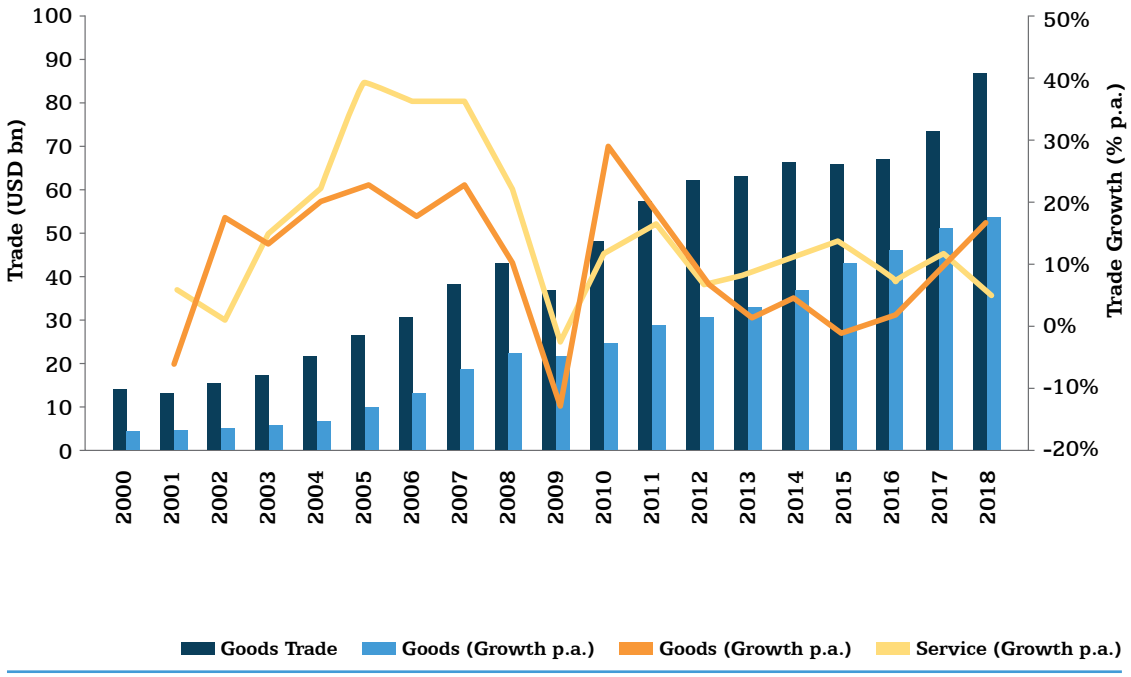
Source: United States Census Bureau, U.S. Bureau of Economic Analysis

Trade Composition: Goods Vs. Services

Historically, goods dominated the U.S.-India trade basket. While they continue to comprise the majority of our bilateral trade, the share of services has risen gradually from around 25% in 2000 to approximately 40% in the past several years as trade in services has begun to play an increasingly important role in the commercial relationship.

Bilateral services trade grew by 11.6 times from 2000 to 2018, recording a CAGR of 14.6% vis-à-vis a CAGR of 10.6% for trade in goods.

India-U.S. Trade In Goods and Services (2000–2018)



Trade in Goods

- India was the United States' 9th largest goods trading partner in 2018, accounting for 2.1% of total U.S. goods trade. China, Canada and Mexico constituted 15.7%, 14.7% and 14.5% of U.S. goods trade, respectively, highlighting the potential for growth in India-U.S. trade.
- India has the 9th largest trade deficit with the United States at $21.3 billion in 2018–a 7% decrease from 2017. The deficit with India is far less than other countries higher up the list, as the United States currently has a $419 billion deficit with China, an $82 billion deficit with Mexico (ranked #2), and a $47 billion deficit with Ireland (ranked #5).
- India ranks 10th as a source market for U.S. imports, accounting for 2.1% of total U.S. imports in 2018. Countries like China (21.2%), Mexico (13.6%) and Canada (12.5%) accounted for a much larger share of U.S. imports.
- Only 2.0% of U.S. exports are destined for India; India is ranked 13th as an export destination for U.S. goods. Canada and Mexico are the U.S.' top two destination markets, accounting for 18.0% and 15.9% of U.S. exports.
- The U.S. is India's largest trading partner by value, edging out China by a narrow margin of $900 million in 2018.
- India maintains its highest positive trade balance with the U.S.. By comparison, India's next largest positive trade balance with Bangladesh is just half of its trade balance with the U.S.
- The U.S. was India's largest export market in FY 2018-19, accounting for around 15.9% of Indian exports. The UAE, ranked second, accounts for a significantly lower 9.1% of Indian exports.
- The U.S. was the second largest source market for Indian imports, behind China. The gap between these two is significant, as the U.S. accounts for around 6.9% of Indian imports, just half of the 13.7% imported from China in FY 2018–19.

Trade in Services

- India was the U.S.' seventh largest services trading partner in 2018, accounting for 3.9% of total U.S. services trade. The United Kingdom (first) and Canada (second largest) constituted 9.8% and 7.0% respectively of the U.S. trade in services, highlighting the potential for growth in India-U.S. services trade.
- Because the U.S. is a major global supplier of services, it had services trade deficits with only India and Italy in 2018. The U.S. had a services trade deficit of $3.6 billion vis-à-vis Italy and $3.0 billion with India.
- India ranks fifth as a source market for U.S. services imports, accounting for 5.1% of the total in 2018. The United Kingdom (10.8%) and Canada (6.3%) captured a larger share of U.S. services imports.
- Only 3.1% of U.S. services exports are destined for India; India is ranked eigth as an U.S. services export destination. The United Kingdom and Canada are the top two destination markets, accounting for 9.0% and 7.5% of U.S. exports.

Data in this section is based on data from the 'Export Import Data Bank', Department of Commerce, Government of India. Data is provided as per Indian financial year (April to March), and not calendar year (January to December) as in the case of U.S. data sources

Investments

Investment ties between the U.S. and India remain solid. U.S. cumulative foreign direct investment (FDI) into India amounted to roughly $44.5 billion in 2017, while FDI from India into the U.S. was estimated at $9.8 billion. The 2017 CII study *Indian Roots, American Soil* found that just 100 Indian companies accounted for nearly $18 billion of FDI into the U.S.

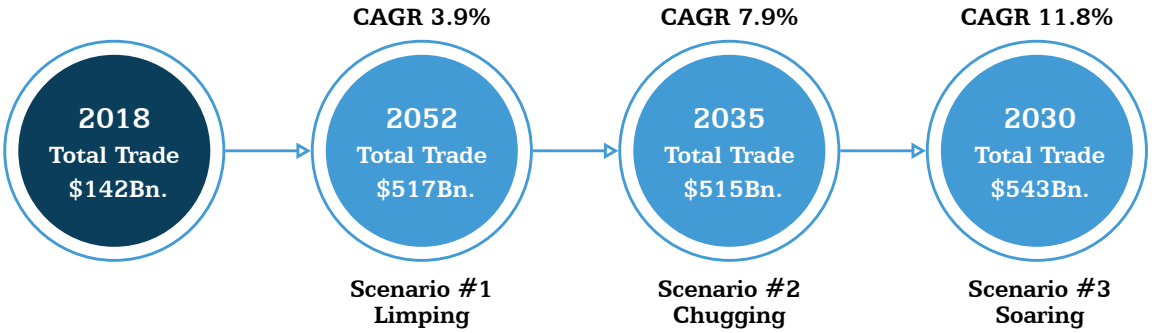
New frontiers of business and trade are opening up in the knowledge economy, and sectors like high tech exports, robotics and automation, artificial intelligence and electric vehicles are likely to see significant growth in the coming years. At the same time, economic trend lines suggest that already major sectors like defense and aerospace, energy, transportation, e-commerce and the digital economy will continue to drive bilateral growth. As the Indian market expands and becomes increasingly open to foreign business, there are also opportunities for small and medium sized companies to profitably ramp up business ties in India.

https://apps.bea.gov/international/factsheet/factsheet.cfm?Area=612.

The Quest for $500 Billion: High-Level Scenarios

Three Scenarios for Overall India-U.S. Trade

This report lays out three possible India-U.S. trade scenarios. An overview of the scenarios is summarized in the schematic below.



- The 'Limping' scenario considers a deterioration in the India-U.S. trade relationship. Accordingly, if bilateral trade grows at a CAGR of just 3.9% over the next several decades, the $500 billion mark will be crossed only in 2052.
- Under the 'Chugging' scenario, the bilateral trade relationship and key drivers of economic growth largely remain unchanged from the current status quo, bringing the bilateral relationship to $500 billion by 2035. The implied growth rate is 7.9% over the 2019–2035 period.
- The 'Soaring' scenario assumes positive policy and regulatory moves encourage a significant increase in trade engagement, bringing bilateral trade growth to 11.8% and reaching the $500 billion mark by 2030.

We provide an overview of each scenario along four parameters:

1. India's competitiveness relative to other countries
2. Health of the U.S. and Indian domestic economies
3. India-U.S. trade dynamics
4. Global trade environment

Scenario Overview

	Scenario #1 Limping
Relative Competitiveness **(relative to other countries)**	**Relative competitiveness lower than the present, due to a combination of some or all of the following factors:** **Indian Exports to the U.S.** ■ India loses competitiveness as a global leader of the digital economy ■ Other Asian countries emerge as the preferred destination for hubs and spokes within global supply chains, compared to India. ■ Other countries enhance their cost and/or quality of goods and services ■ The U.S. enhances the competitiveness of local production (manufacturing and services), making importing from India less attractive ■ No significant improvement in cost, efficiency and ease of doing business in India **Imports from the U.S. into India** ■ Importing from other countries is more competitive vis-à-vis from the U.S. Producing in India (manufacturing and services) is more competitive than importing from the U.S. ■ No significant increase in production in the U.S.
Health of Domestic Economy	Weaker compared to current state
India-U.S. Trade Dynamics	"One-off" or "zero-sum" approach focusing on tactical and short-sighted
Global Environment	Not conducive to trade compared to present state
Scenario Implication	
$500 billion mark crossed by year	**2052**
Implied CAGR*	**CAGR (2019–2052): 3.9%**

*the implied growth rates are approximately +/-4.0% from the Scenario #2 (the base case)

	Scenario #2 Chugging	Scenario #3 Soaring
	No significant difference from current state	**Relative competitiveness higher than the present, due to a combination of some or all of the following factors:** **Indian exports to the U.S.** ■ India successfully leads the digital economy ■ India moves up the value chain, invests in R&D and innovation ■ Significant improvement in cost, efficiency and ease of doing business in India ■ India successfully captures a large share of new and migrating manufacturing capacity vis-à-vis other Asian manufacturing nations. **Imports from the U.S. into India** ■ Import country substitution ■ Production in the U.S. increases significantly
	Both economies continue to exhibit stable growth	Same or stronger compared to current state
	No major setbacks, although no significant positive moves	Development of 'strategic engagements' to provide broad-based cooperation that offers flexibility and "win-win" interactions over the long-term.
	No major setbacks, although no significant positive moves	Highly conducive to trade compared to current state
	2035	**2030**
	CAGR (2019–2035): 7.9%	**CAGR (2019–2030): 11.8%**

Detailed Scenarios

SCENARIO #1: LIMPING

Scenario Description

Relative Competitiveness

Competitiveness of Indian exports relative to other countries, from a U.S. perspective, is lower than at present, due to a combination of some or all of the following factors:

- India loses out in the digital economy sector - 'digital economy' refers to economic processes, transactions, interactions and activities that are based on digital technologies. Consequently, smart manufacturing does not take off significantly in India. New technologies such as Artificial Intelligence (AI), Internet of Things (IOT), robotics, etc. have limited impact across both the manufacturing and services sectors.
- Other competing export hubs (e.g., Mexico, South American countries, China, Vietnam, Philippines, etc.) enhance their cost and/or quality competitiveness, thereby making Indian exports less attractive to U.S. consumers.
- On the back of new technologies, the U.S. is able to increase the competitiveness (reduce cost and/or increase quality and/or enhance benefits) of its domestic production of goods and services. Consequently, importing from India becomes less attractive.
- India exhibits no significant improvement in the cost, efficiency and ease of doing business. Key elements of consideration include the logistics eco-system (transport infrastructure, storage and utilities) and exports processes and procedures.

From the standpoint of imports from the U.S.

Competitiveness of imports from the U.S. relative to other countries, from an Indian perspective is lower than the current state, due to a combination of some or all of the following factors:

- Other competing import sources enhance their cost and/or quality competitiveness vis-à-vis U.S. imports, thereby making U.S. imports less attractive to India.
- Producing in India (goods and/or services) becomes more competitive relative to importing.
- No significant increase in production in the U.S.

Health of the domestic economy

The Indian and/or U.S. economy is weaker compared to the present state due to:

- Growth of the Indian economy moderating substantially (falling below 5%); and/or
- The U.S. economy exhibiting limited growth

India-U.S. trade dynamics

India-U.S. trade dynamics turn adversarial, due to some or all of the following factors:

- Trade wars between India and U.S.,with imposition of tariffs and/or non-tariff barriers by both parties
- Greater protectionism in either or both countries
- Political discord between leaders in India and the U.S.

Global environment

The global macro environment is not conducive to trade. Global trade declines and/or there is a shift from developing global value chains to regional or in-country value chains.

Scenario Implication

Bilateral trade sees its lowest annual growth rate in the recent past. This was recorded in 2013, at 3.9% p.a. This figure is also equivalent to approximately - 4.0% of the growth rate used to compute the status-quocase (7.9% p.a.), i.e. Scenario #2. In this scenario, India-U.S. trade crosses the $500 billion mark in 2052.

SCENARIO#2:CHUGGING

Scenario Description

There is no significant change from the current state. There are no major setbacks, although no significantly positive moves are introduced.

Scenario Implication

Bilateral trade is assumed to grow at the 5-year historical growth rate: CAGR from 2013 to 2018 was 7.9%. In this scenario, India-U.S. trade crosses the $500 billion mark in 2035.

SCENARIO #3: SOARING

Scenario Description

Relative Competitiveness

From the standpoint of Indian exports to the U.S.

Competitiveness of Indian exports relative to other countries, from a U.S. perspective, is higher than at present, due to a combination of some or all of the following factors:

- India successfully leads the digital economy. The country embraces smart manufacturing in a big way, trickling down to small and medium sized enterprises (SMEs). New technologies such as Artificial Intelligence, Internet of Things, robotics. are effectively deployed in both the manufacturing and services sectors to increase competitiveness.
- India moves up the value chain in terms of exports, investing in R&D and innovation.
- India exhibits significant improvement in the cost, efficiency and ease of doing business. The key elements that are improved include the logistics eco-system (transport infrastructure, storage and utilities) and exports processes and procedures.

From the standpoint of imports from the U.S.

Competitiveness of imports from the U.S. relative to other countries, from an Indian perspective, increases, due to some or all of the following factors:

- Importing from the U.S. becomes more competitive vis-à-vis from other countries ('import country substitution') possibly as a result of deployment of new technologies like smart manufacturing.
- There is significant increase in production in the U.S.

Health of domestic economy

The Indian and/or U.S. economy is stronger compared to the current state, or, at most, the same. This implies that India continues on its high growth path and the U.S. economy exhibits stable growth.

India-U.S. trade dynamics

Greater levels of cooperation, on the trade front, ensue between the two nations, implying more openness as well as increased political affiliation.

Global environment

The macro global environment is highly conducive to trade. Global trade registers healthy growth. There is also increased focus on developing global value chains.

Scenario Implication

Bilateral trade is assumed to grow at the 18-year historical growth rate: CAGR from 2000 to 2018 was 11.8%. This figure is also equivalent to approximately +4.0% from the growth rate used to compute the status-quo case (7.9% p.a.), i.e. Scenario #2. In this scenario, India-U.S. trade crosses the $500 billion mark in 2030.

Recommendations: Turning Challenges into Opportunities

There is significant potential in the economic partnership between the U.S. and India, based on common business cultures and strong private sector engagement. However, recent strains on the relationship have become visible which must be addressed before they impact the overall level of economic engagement.

In a positive development for the U.S.-India relationship, trade tensions with China have prompted many U.S. companies to explore alternative investment destinations to relocate manufacturing supply chains. Despite the recent signing of a U.S.-China Phase 1 trade deal in early 2020, the remaining tariffs have amplified the desire by many companies to diversify their supply chains, with India increasingly appealing to U.S. companies as an attractive and competitive investment destination.

Enduring uncertainty around the U.S.-China economic relationship, as well as increasing global health concerns, provides a good opportunity to evaluate the U.S.-India relationship holistically and see the trade and economic partnership through the prism of strategic priorities. It is critically important that both sides look at the challenges in the relationship as opportunities for growth and look for creative solutions to overcome roadblocks wherever possible.

Tackling Immediate Irritants

Import Duties on Harley Davidsons:

India should consider eliminating the import duty on high end motorcycles (that include Harley Davidson motorcycles) for both Complete Built Up (CBU) units and for Completely Knocked Down (CKD) units. The

0% rate could apply to all motorcycle imports being sold in India over INR 5 lakhs (approximately $7,100).

In 2017–18, Harley Davidson sold 3,413 units in India—a decline of 7% from the previous year. For CBU units, India slashed duties from 75% to 50% in 2018, but given that the duties apply to a minuscule percentage of the overall trade and for a very niche product, eliminating it altogether would provide an important symbolic gesture to the U.S.

Price Controls for Medical Devices:

The issue of price controls for medical devices has invited vigorous discussion and was one of the original reasons why the Office of the U.S. Trade Representative (USTR) decided to review India's eligibility for the Generalized System of Preferences (GSP) program.

Some unilateral moves by India could help alleviate this major trade irritant in the bilateral partnership. The issue of price controls must be addressed in a comprehensive manner with domestic firms and multi-national corporations (MNCs) to come to consensus on a pricing mechanism that balances access to healthcare with enabling innovation and competitiveness amongst private sector firms.

e-Commerce:

A clarification of the FDI rules in e-Commerce published in December 2018 established that only the marketplace-based model (versus inventory based) was eligible for 100% FDI in India[1]. The document further prohibits these firms from entering into exclusive arrangements with sellers and from offering deep discounts to consumers based on those deals. U.S. MNCs have taken steps to re-structure their models in order to comply with the new FDI rules by the February 01 2020 deadline.

India's e-Commerce policy, however, has engendered a number of issues that impact both domestic and foreign players, including the definitions of private versus community data; prohibition on cross-border data sharing; mandates to establish data centers holding sensitive data of Indian citizens within the boundaries of India; informed consent; following due legal process in data sharing with Indian or foreign authorities; domestic versus Indian—product definitions; requirements for e-commerce app/websites to set up legal entities in India etc.

The cross-border flow of data is a reality as well as necessity in the hyper-connected global information and communications technology (ICT) ecosystem and supply chain, most visible in the way the internet operates. India must also bear in mind that such a policy could prompt reciprocal action by U.S. and other countries which may demand that the data on their citizens stay within the confines of their geographical boundaries. This could have an enormous deleterious impact on Indian information technology (IT) and business process outsourcing (BPO) companies that have grown over the past several decades essentially by processing, analyzing and storing sensitive health, financial, insurance etc. information for customers from other countries within India—the U.S. is a major market for such firms and helps generate thousands of jobs in India[2].

Both the U.S. and India must take a long term and comprehensive view on this issue before finalizing any policies that have a bearing on one of the most dynamic, growing and innovative industries in India.

[1]This policy meant that leading U.S. e-commerce players like Amazon and its local competitor Flipkart (owned by Walmart) cannot sell products of companies in which they have an equity stake—both companies have scrambled to change their ownership models in partner companies to comply with the new rules.

[2]The U.S. accounts for huge sums of revenue for India's major IT companies—for example, in 2017, the U.S. alone accounted for 54% of TCS's and Wipro's revenues, and about 61% of Infosys' revenues: https://economictimes.indiatimes.com/tech/ites/how-europe-trumped-us-for-indian-it-companies/articleshow/61633992.cms?from=mdr

ICT Tariff Hikes:

In 2018, the European Union (EU) along with the U.S., China, Japan, Canada, Norway and others raised the issue of India's increased customs duties on high-end mobile phones (up to 20% from 15%) and other items such as smart watches (up to 20% from 10%).

In April 2019, the EU brought the issue to the World Trade Organization (WTO) stating that the tariff hikes are in excess of India's bound tariff commitments under the first WTO Information Technology Agreement (ITA-I). India has maintained that the country is fully ITA compliant, and the kind of products falling under the purview of the new duties were not envisaged when the ITA-I commitments were made.

While India could let this matter be resolved at the WTO, a compromise vis-à-vis the U.S. is necessary for increased bilateral trade and investment engagement. Because a country-specific exemption is not possible, several U.S. companies now rely on ICT manufacturing through value chains that have developed in Asia (centering on China). Thus, while India's efforts to curb imports coming from China may be successful, it is unfortunately impacting the bottom line of U.S. firms as well. As India liberalizes its manufacturing policies and institutes further economic reforms, it is increasingly likely that U.S. companies will consider manufacturing ICT products in India to sidestep tariff hikes.

Boric Acid:

India restricts the importation of boric acid for manufacturing insecticides but allows imports for non-insecticidal uses. The U.S. contends that importers of boric acid for non- insecticidal use remain unable to import the chemical for resale because they are not end-users of the product and thus cannot obtain the required no-objection certificates (NOCs) from the necessary government ministries.

The Indian government could consider imposing the same requirement on wholesalers of boric acid as is applied to refiners—that is, maintain appropriate and updated records showing they are not selling to end users who will use the product as an insecticide—and thus eliminating the NOC license requirement with regard to end user certification for importers. This will help create a uniform policy for all players in this sector and eliminate the refrain of discriminatory treatment. A self-declared affidavit every year could be requested from companies stating that they have sold boric acid only for purposes which are not covered under the Insecticides Act 1968.

Dairy Products:

Limitations on the importation of dairy products to India has been a major issue for U.S. industry for many years. A petition filed by a U.S. dairy industry association (in addition to the medical devices industry) provided the initial impetus for USTR's review of India's eligibility under the GSP program.

India requires certification that dairy animals have never been fed a non-vegetarian diet while U.S. companies cite scientific studies to suggest that the blood meal and tissues of ruminant origin in the cattle feed are absorbed into the digestive system of cows within three months. India's contention is that a "certification requirement, that the source animal had never been fed animal derived blood meal, is non-negotiable given the cultural and religious sentiment"[3]. These regulations apply equally to all dairy producers—domestic or foreign. In addition, dairy products produced in India are free from the hormone rBST as it is not used for cattle. Furthermore India maintains that its food regulations are in harmony with the Codex standards, which refused to approve rBST as safe in 2017.

India's dairy market, one of the largest in the world, is projected to continue to grow, and countries like New Zealand, Canada, Australia, and the EU are exporting dairy products to India after meeting all regulations and certification requirements. Considerate understanding and detailed dialogue on production, classification and labeling norms could help U.S. producers comply with existing regulations and lead to a feasible solution.

Agriculture Products:

India has accepted U.S. requests with regard to the importation of apples, alfalfa hay, cherries, and pork products.This offer should be formalized. Historically closed to poultry imports, India has also recently granted market access for U.S. chicken and turkey. With the recent finalization of the export certificate for India, the two countries have managed to clear the path for increased trade engagement.

India has asked the U.S. to transfer oversight of irradiation of products like India's mangoes and pomegranates to the National Plant Protection Organization (NPPO) to enable speedy and more cost-effective treatment of produce that can be exported to the U.S. Talks also seemed to have progressed on clearing U.S. procedural hurdles hindering the import of table grapes from India[4]. The governments must continue to make progress to find workable solutions.

[3]http://www.pib.nic.in/PressReleaseIframePage.aspx?PRID=1567445#.XH5lbYDpbJM.twitter
[4]https://economictimes.indiatimes.com/news/economy/agriculture/us-assures-allowing-import-of-table-grapes-from-india/articleshow/66265786.cms

Shrimp Duties:

In 2018, the U.S. Department of Commerce "hiked the weighted-average of anti-dumping duty on import of Indian shrimp from 0.84%to 1.35%."[5] Although reports suggested that the impact of the duty hike would be neutral, another new non-tariff barrier was enacted by the U.S. in December of that year when it extended the Seafood Import Monitoring Program (SIMP) making it mandatory that foreign shrimp products come with harvest and landing data for shrimp and abalone imports entering the U.S.[6] This regulation is likely to impact Indian shrimp and seafood producers significantly.

The U.S. is the largest destination for shrimp exports from India—in 2017–2018, 41% of India's total shrimp exports went to the U.S.—frozen shrimp being the dominant export category.[7] Shrimp from India comprises 32% of the market share in the U.S. Thus, both sides must take all appropriate measures to negotiate a resolution.

Generalized System of Preferences:

The May 2019 announcement by the U.S. excluding India from the Generalized System of Preferences (GSP), a program that allows duty free access of certain products from specified developing countries, came despite intensive trade talks between the two sides.

Eligibility for the program brought a tariff advantage of about $190 million, less than 0.4% of total exports from India to the U.S.[8] While some of the GSP eligible exports from India are intermediary products (such as chemicals, auto-parts, plastics, etc.), others (such as textiles, rice, etc.) are exported for direct consumption. Such products will now face applied tariff rates at the most-favoured-nation (MFN) level, which in some cases are 10% or higher from the current 0% rate. India faces stiff competition from countries like Bangladesh (least developed countries (LDC) status), Cambodia, Pakistan, Indonesia, Philippines, Thailand, etc. (all GSP eligible) in many of these sectors that are dominated by small industries where the available margins are already very thin. While GSP reviews were also initiated by USTR for Indonesia and Thailand, both were approved to continue their tariff exempt status under GSP for 2019.

The reinstatement of GSP benefits by the U.S. would not only allow small businesses in India to remain competitive, but it would be a symbolic win for the relationship.

Steel and Aluminum:

In March 2019, the U.S. imposed tariff hikes of 25% on steel and 10% on aluminum imports under Section 232 of the Trade Expansion Act of 1962, a national-security

[5]https://www.business-standard.com/article/economy-policy/anti-dumping-duty-hike-on-indian-shrimps-by-us-to-have-neutral-impact-118072400936_1.html

[6]https://www.fisheries.noaa.gov/feature-story/us-seafood-import-monitoring-program-include-shrimp-and-abalone-december-31

[7]HS Code 0306 Crstcns w/n in shl,live,frsh,chld,frzn,drdsltd/in brine;crstcns, inshl, ckd by stmng or boiling,w/n chld,frzn,drd,sltd/in; data derived from https://commerce-app.gov.in

[8]https://m.economictimes.com/small-biz/trade/exports/insights/withdrawal-of-gsp-benefit-to-india-stakeholders-weigh-in-on-ramifications-of-trump-trade-war/articleshow/68298617.cms

focused law. India did not receive an initial exemption like some trading partners, even though India supplied less than 3% of U.S. steel and aluminum in 2017.[9] The extra tariffs on steel and aluminum have so far resulted in losses for Indian companies estimated at approximately $240 million.[10] In response, India imposed higher levies on 20 U.S. products, including almonds, apples, and walnuts on June 15 2019.

India and other nations are challenging the U.S. tariff increases at the WTO. The U.S. should consider granting an exemption to India from the steel and aluminum tariffs.

Auto and Auto-parts:

In 2019 the U.S. Department of Commerce submitted a confidential report to the White House regarding if automobile and auto components imports could potentially be a 'national security' threat as steel and aluminum were deemed in 2018. The U.S. president has since mentioned a tariff of 25% [11] on all foreign assembled vehicles and parts, as well as potential targeted tariffs on components and technologies. This tariff would have an enormous impact on not just the exporting countries but also on the U.S. economy.

In 2017–2018, India exported passenger cars worth $654 million to the U.S., behind Mexico ($1.7 billion) and South Africa ($666 million).[12] The U.S. made up 9% of total passenger car exports from India to the world. In the same period, the U.S. emerged as India's most important destination for exports of auto components[13] ($1.77 billion)—amounting to approximately 25% of India's total exports in this sector.

While the auto-tariff decision has been delayed by the U.S. for now, warding off tariff hikes in this critical sector would be very important for India's export competitiveness.

Energy:

After the U.S. withdrew from the Joint Comprehensive Plan of Action (Iran nuclear agreement) in 2018, it allowed the reprieve of sanctions for certain countries to continue purchasing oil from Iran while exploring alternative energy sources. In May 2019 the U.S. announced that it would not renew these waivers for countries (India included) to continue buying Iranian oil without facing U.S. sanctions. The U.S. further imposed sanctions against Venezuela in January 2019, pressuring countries like India to stop purchasing oil from the Venezuelan state oil company (PDVSA).

India has had to delicately balance its strategic necessities for energy security and its relationship with the U.S. given the sanctions that have been placed on Venezuela and re-imposed on Iran.[14] India may face significant difficulties in procuring sufficient amounts of oil going forward. Between January–April 2019, India imported about 11% of its oil from Iran, and about 6.4% from Venezuela, while the U.S. supplied about 3% of India's crude oil imports in this period.[15] While ethanol made up only 0.05% of India's total imports in the 2017–2018 period, the U.S. supplied almost 94% of the product to India.

The U.S. should look to be a larger crude oil and shale gas supplier to India, but also look at ethanol for export expansion. In the meantime, waivers from U.S. sanctions for importing oil from Iran and Venezuela should be granted to India to allow it time to diversify its energy sources without impacting its economic progress in the process.

[9] https://fas.org/sgp/crs/row/IF10384.pdf

[10] https://economictimes.indiatimes.com/news/economy/foreign-trade/india-has-worlds-worst-tariffs-on-us-products-senator-graham/articleshow/70835278.cms

[11] https://www.forbes.com/sites/charleswallace1/2019/02/17/car-industry-fears-trump-tariffs-on-vehicle-imports/#29ce66296102

[12] HS Code 8703: Motor cars and other motor vehicles for transport of persons (excluding of 8702) including racing cars, etc. Data derived from https://commerce-app.gov.in

[13] HS Code 8708 Parts and accessories of the motor vehicles of headings 8701 to 8705

[14] Following U.S.'s withdrawal from the Joint Comprehensive Plan of Action with Iran, it was recently announced by the U.S. that no further sanctions exemptions will be provided to any countries importing oil from Iran after May 01, 2019.

[15] HS Code 2709: Petroleum oils and oils obtained from bituminous minerals, crude; data derived from https://commerce-app.gov.in

Defense and Aerospace:

The U.S.-India partnership in defense and aerospace has been one of the most robust sectors of engagement where the strategic and geopolitical interests have very successfully merged with commercial interests to produce a clear example of 'win-wins' for both sides. Defense trade has grown from less than $200 million in 2000 to over $18 billion by 2018, as India has emerged as one of the largest arms purchasers in the world and the U.S. has become a key supplier.

India has already acquired several U.S. military platforms and equipment, and many proposals for new acquisitions are in the pipeline. Anticipated sales include 24 MH-60 Seahawk multi-role naval helicopters, and a potential sale of AH-64 Apache attack helicopters. Most recently, India agreed to purchase 10 U.S. maritime patrol aircraft, for over $4 billion, for the Indian Navy that will enhance its surveillance capabilities across the Indian Ocean region. India also took delivery of the 11th C-17 Globemaster III military transport aircraft, adding to its Globemaster fleet in the Indian Air Force.

Under the Defense Technology and Trade Initiative of 2012 (DTTI), both the U.S. and India are currently working on developing a small, air-launched unmanned system that could be launched from cargo aircrafts. In addition, India has expressed interest in advanced engine technologies to domestically produce advanced medium combat aircraft. The Indian Ministry of Defense has shortlisted a few technology areas for co-operation with the U.S.—Naval Guns, Mine Scattering and Anti-tank vehicles, Unmanned Aerial Surveillance, Javelin Missiles, Aircraft Landing Systems. As of now, two joint working groups for Jet Engine Technology and Aircraft Carrier Technology are functioning.

Unfortunately the U.S.-India defense partnership, with all its strategic elements, has a buyer-seller dimension which initiatives like DTTI have not been able to overcome. It remains to be seen what kind of strategic assets, minus the burden of export controls, will flow to India over time from the U.S. given the change in status under STA 1, Major Defense Partner classification, etc. Cost considerations have been a major hindering factor as far as technology transfers are concerned.

The U.S. and Indian governments, along with the armed services and industry should identify and prioritize defense products where U.S. technology and expertise could come together with Indian manufacturing capabilities for co-production and co-development. Skill development initiatives would be an added area of collaboration for U.S. and Indian defense companies. Further in-depth consultations with the U.S. are also necessary to jump-start DTTI or create a separate, more effective mechanism.

A formal defense dialogue involving the private sector is needed. This Dialogue would provide a formalized avenue of engagement for defense and aerospace companies with relevant government officials in both countries. If co-production and co-development is to happen in a meaningful way, the private sectors of both the U.S. and India must have an opportunity to network and become familiar with each other's systems and processes. A formal dialogue mechanism to enable this engagement would be hugely helpful.

Defense co-operation between the U.S. and India has led to significant capability enhancements within the Indian Defense Forces, despite India's need to maintain its long-term strategic relationship with Russia. India has signed a purchase deal of U.S. $5.4 billion for a S-400 anti-aircraft weapons system from Russia. The India-Russia agreement is currently under threat of sanctions following the U.S.' passage of the Countering America's Adversaries Through Sanctions Act (CAATSA), allowing the U.S. to also sanction Russia's military partners unless a Presidential waiver is granted. This waiver has not been guaranteed to India,, and if the U.S. moves to impose sanctions on India it would prove disastrous for the overall partnership and will set defense and commercial engagement back decades.

Rethinking the Structural Framework

According to USTR, "U.S. foreign direct investment (FDI) in India (stock) was $44.5 billion in 2017, a 15.1% increase from 2016. U.S. direct investment in India is dominated by professional, scientific, and technical services, manufacturing, and wholesale trade."[16] Over the past several years, the government of India has made a sustained effort to attract FDI from the U.S. as part of the "Make in India" campaign. U.S. - China trade tensions have increased the interests of U.S. companies in India as an alternative investment destination as they seek to re-locate supply chains.

[16]https://ustr.gov/countries-regions/south-central-asia/india

While the Indian government has taken substantial steps to increase ease of doing business (EODB) and to facilitate India's overall investment and business climate, additional policy reforms would provide a significant confidence boost for U.S. companies in furthering the mutual objective of increasing bilateral trade. The U.S. should also maintain its attractiveness as a business-friendly, open and progressive international market by considering overarching bilateral agreements that provide the structural framework for furthering trade and investment ties.

Single Window Clearance:

As reported by the 2019 World Bank EODB rankings, India has reduced the number of steps to establish a business down to ten, and requiring only about 16.5 days for a business to be up and running.

However, its neighbor Singapore, requires only two procedures and 1.5 days to start a business.[17] Streamlining procedures and required paperwork at a single point of clearance would be hugely helpful in advancing India's current status as far as starting a business is concerned.

A digitally maintained, true one-stop shop for all clearances and licenses for setting up a business in India would be a major incentive for U.S. companies that may be looking at alternative FDI destinations beyond China. Streamlining state and central clearances through a single easily accessible online portal would help drastically cut down bureaucratic red tape, reduce timelines and help eliminate the possibility of corruption.

Automatic Deemed Approval:

The government of India should consider instituting a mechanism of automatic approval in cases of clearances and No-Objection Certificates (NOCs). This would greatly help simplify procedural bottlenecks and paperwork in a range of sectors, thus helping with overall ease of doing business metrics.

Foreign Direct Investment Caps:

The government of India should consider reviewing the feasibility of increasing FDI caps or additional provisions for foreign ownership in sectors like defense (49% except in specific cases where the foreign company is bringing a high end or sensitive technology), insurance (49% but with control remaining with the domestic partner), and multi-brand retail (though 51% foreign ownership is allowed, onerous additional provisions have inhibited growth in this sector). These are high growth areas in India, where U.S. technology, expertise and know-how could help bring in much needed resources, capacity building, infrastructure, and consequent job creation.

High Skill Labor Mobility:

Despite the increasing rhetoric around immigration in the U.S., most of the focus has been on illegal immigration and less on legal and high-skill labor mobility. However, it appears to be the general overarching policy of the U.S. administration to curb immigration into the country in its totality. Numerous companies have reported that denials of H1B petitions and Requests for Evidence (RFEs) have dramatically increased over the past few years.[18]

At the same time, Indian companies have also ramped up local hiring in the U.S. and have understood the need to publicize their substantial investment and corporate social responsibility (CSR) footprints, especially at the state and county level—places where the benefit of their presence is felt the most by their local communities.

Labor mobility remains a matter of high priority, for both U.S. and Indian industry, who rely on being able to attract the most talented and capable individuals in today's fast-moving innovation-driven ecosystem. The free and fair movement of skilled professionals between the U.S. and India is central to the idea of a competitive global labor environment, and both countries should promote policies that enable it.

Totalization Agreement:

Indian citizens working in the U.S. pay approximately $1 billion annually to the U.S. Social Security Administration, payments from which are only redeemable after ten years. Since a typical term of a temporary high skill visa holder is three to six years, most workers are unable to derive any benefits. The U.S. view is that due to the

[17] http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf

[18] https://www.forbes.com/sites/stuartanderson/2018/07/25/new-evidence-uscis-policies-increased-denials-of-h-1b-visas/#7a55c3625a9f

incompatibility of the U.S. and Indian social security systems, a Totalization Agreement may not be plausible in the current context.

A study should be undertaken to analyze the feasibility and prospects of a U.S.-Totalization Agreement. This has been an 'ask' from Indian Industry for well over a decade—a detailed study could finally help conclude arguments of feasibility and parity for all.

Intellectual Property Rights Regime:

For over 25 years, the U.S. has placed India on the USTR *Special 301 Priority Watch List for Intellectual Property Rights*— most recently in April 2019—in addition to imposing *Out of Cycle* reviews. If the U.S. government continues to perceive that market access barriers are impeding U.S. goods and services exports to India, the Office of the U.S. Trade Representative could initiate an investigation against India under Section 301 of the Trade Act of 1974. This could lead to U.S. sanctions/ tariffs similar to the recent actions the U.S. initiated vis-à-vis China. According to the U.S. Department of Commerce's International Trade Authority, "Section 301 of the Trade Act of 1974 provides the United States with the authority to enforce trade agreements, resolve trade disputes, and open foreign markets to U.S. goods and services. It is the principal statutory authority under which the United States may impose trade sanctions on foreign countries that either violate trade agreements or engage in other unfair trade practices. When negotiations to remove the offending trade practice fail, the United States may take action to raise import duties on the foreign country's products as a means to rebalance lost concessions."[19]

Awareness-building workshops are needed for U.S. companies and government officials on the recent developments in India's IP ecosystem. A lot of positive steps have been taken over the past few years to improve India's IP legal framework as well as enforcement mechanisms. This progress can be measured in the U.S. Chamber of Commerce's annual *Global IP Index*, where India has recorded four consecutive years of increases on the index.[20] The involvement of relevant patent and customs authorities could further help build the confidence of U.S. stakeholders around India's progress on IP protection.

Bilateral Trade Architecture:

The U.S. is India's second largest trading partner and one of the few countries where Indian exports have seen growth. Indian companies have invested heavily in various sectors and have become a part of the fabric of the nation.

The 3 million strong Indian diaspora in the U.S. adds further ballast to the strong bilateral ties. Therefore, the trade architecture between the two countries needs specific attention.

While a focus on investments and domestic reforms may make it easier to find early win-win situations, the two countries need to examine the existing bilateral trade architecture with a critical and comprehensive viewpoint.

Although the number of dialogues and sectoral forums have diminished from the all-time high of 40+ a few years ago, there are still some established platforms like the Trade Policy Forum, Commercial Dialogue, U.S.-India CEOs Forum and the new Two Plus Two Dialogue that can facilitate strategic, commercial and trade dialogue between the two nations.

- **Restructure the CEO Forum:** The CEO Forum features private sector participation from the biggest players in both countries—companies that are well connected and well versed with the various challenges and opportunities in the bilateral relationship. The Forum

[19]https://www.trade.gov/mas/ian/tradedisputes-enforcement/tg_ian_002100.asp
[20]https://www.theglobalipcenter.com/wp-content/uploads/2020/02/023881_GIPC_IP_Index_2020_FullReport_A_04b.pdf

is an effective mechanism to feed into the government dialogues, however, some restructuring could help enhance the effectiveness of the platform, by making participation broad-based, as well as the discussions outcome-based. Industry bodies in both the U.S. and India could play a larger role in making the forum consistent and build up its agenda throughout the year.

- **Establish an SME Forum:** To understand and tackle issues that impact a majority of companies, it is important to involve a range of small and mid-sized enterprises (SMEs) that can engage throughout the year via working groups and digital video conferences. This can be done through the creation of a U.S.-India SME Forum, or through sectoral working groups involving different industry players that feed into official channels of communication. SMEs on both sides need avenues of engagement, as they are the ones that will lead the way to reaching the $500 billion trade target. Industry associations in both the U.S. and India can lead in sustaining the necessary momentum between industry members and government officials.
- **Agree on a "mini" trade deal:** Negotiators from both the U.S. and India have been working diligently to conclude a trade agreement. While both countries sought to conclude a "mini" deal in time for President Trump's first official visit to India in February 2020, the U.S. and India have yet to formalize areas of mutual agreement. Concluding a deal in the short term – even on a very limited basket of issues – would send a positive signal to the business community and pave the way for more comprehensive trade talks down the road.
- **Launch an FTA cost-benefit analysis study:** Since country-specific tariff exclusions or reductions are difficult, the only way to avoid product/sector specific market access skirmishes is by negotiating a broad trade agreement. A comprehensive Economic Cooperation Agreement would reduce tariffs (custom/import duties) which could lead to a future Free Trade Agreement (FTA). While previous discussions have highlighted the need for a U.S.-India FTA, a formal, comprehensive study is required to determine the feasibility of such an agreement. An FTA between India and U.S. would have wide ranging ramifications for domestic industries, and a clear cost benefit analysis is needed to gauge its total impact.

The governments of India and the U.S. should consider launching a comprehensive consultation process, involving sustained dialogue with industry, to examine all facets of the U.S.- India partnership to determine the best course of action regarding a formal trade agreement. Given the enormous consequence of India's geopolitical, strategic and economic future for the U.S., a trade architecture that serves both countries well is of utmost importance.

Industry on both sides stands ready to partner with and support the two governments in this endeavor. Consultatively and collaboratively working towards a 'Soaring' trade scenario, U.S. and India should set their sights on a higher trajectory, progressing towards the India-U.S. trade goal of $500 billion by 2030.

Future Growth Sectors

As seen in the "Limping," "Chugging," and "Soaring" scenarios of this report, market incentives and increasingly strong commercial relationships between the U.S. and India suggest that the bilateral goods and services trade will continue to grow in the years ahead. The only question is, how fast?

In addition to resolving outstanding trade irritants and creating the institutional architecture to encourage stronger trade flows, the U.S. and India should look towards untapped and emerging sectors for growth. With well-educated and innovative workforces, both countries are well-suited to lead the way on issues that require sophisticated technical knowledge, adaptable policy frameworks and the capacity for international collaboration. Below are a few sectors USIBC and CII have identified as areas where emerging market segments, technologies and collaborative ventures can yield benefits for U.S.-India trade, as well as help tackle global development challenges.

Blue Economy:

Expanding the "Economic Rainbow"

India has a long coastline of 7,517 km covering nine states and two union territories, with an Exclusive Economic Zone (EEZ) of 2.02 million square kilometers. Furthermore, the Indian Ocean is a major conduit of trade with as much as 80% of global oil trade travelling through its waters. While India and the U.S. are already engaged in bilateral naval exercises, the U.S. and India can further work on supply of naval hardware, training, and capacity building. Better connectivity will significantly cut transport costs and maritime wastage of resources making trade sustainable and cost effective in the region.

Construction in marine and offshore environments offer great opportunities for innovation, and India's FDI policy allows automatic approval up to 100% FDI for construction and maintenance of ports and harbors. Off-shore and sea-bed exploration, as well as mining are areas that are also ripe for collaboration, while the overall size of the marine manufacturing industry—which consists of the construction, repair and maintenance of marine vessels and floating structures—is estimated to be a $10 billion industry. Opportunities also exist in marine commerce, biotechnology, fisheries, tourism, climate change and/or waste management areas.

While the estimated value of the global Blue Economy is $10 trillion, growth in the sector will require sustained engagement. India therefore has an unprecedented opportunity to meet its national socio-economic objectives as well as strengthen its connectivity with neighbors, while working with the U.S. to achieve shared objectives in the Indo-Pacific region.

Greenfields, Courts and Rinks:

U.S.-India Sports Economy Remains Untapped

The excitement around the 2019 National Basketball Association (NBA)'s preseason games in Mumbai—the first held in India—represents the first glimpse of how a dramatic increase of the U.S-India sports trade might develop via talent generation and development, content and the generation of sports rights, broadcasting revenues, apparel and branding, live events, sports clubs, and other infrastructure and concessions. While the large Indian American diaspora represents an export market for the Indian sports economy, U.S. games could also derive economic benefits from the Indian market. As the bilateral sports trade is currently negligible, the upward potential could provide a considerable stimulus to achieving $500 billion in trade.

The global sports industry is worth an estimated $600 - $700 billion, and with a growing number of fans in India, the country would be well-placed to increase its market share.

Despite the U.S. sports economy accounting for about 10% of this global market, U.S. media includes few Indian-focused content channels, as well as limited broadcasts of Indian sports on those channels. Given the cultural and people-to-people interaction between the two nations, there is tremendous scope to improve coverage.

To promote the business and trade of sports products and services between the U.S. and India, there is first and foremost a need for an economic study of the value of current bilateral trade within the sports economy. Secondly, the countries could organize sports trade missions of Indian sports officials, leagues and professional athletes to come to the U.S.—and vice versa—to better understand the U.S. sports ecosystem and business. Following the success and goodwill generated by the NBA in Mumbai, we should encourage and organize regular friendlies between the two nations in diaspora-rich markets such as New Jersey, Silicon Valley, or Houston, Texas. As an untapped bilateral segment, the sky—and in this case the field, court and rink—is the limit.

Reach for the Stars:

U.S.-India Collaboration in Human & Commercial Space

The commercial space industry globally is worth nearly $300 billion, and well over $400 billion with government programs included.[21] While the U.S.and Indian governments have collaborated on space technology—from sounding rockets in the early 1960s, to the exploration of the Earth, Moon, and Mars—today, commercial cooperation remains nascent, in the low hundreds of millions of dollars. India's space program has made incredible technological leaps over the last decade based on the development of cost-effective launch systems and spacecraft manufacturing.

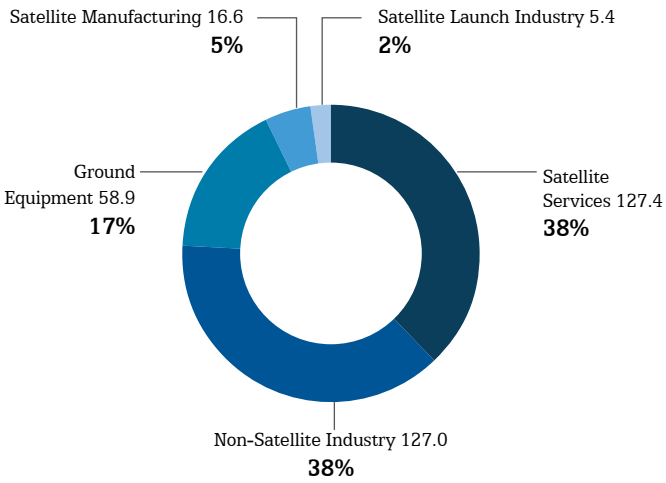
A U.S.-India Strategic partnership in space could contribute to over $10 billion in this trade corridor with private sector participation. Globally, 17,000 small satellites are expected to be launched by 2030.

The Indian Space Research Organisation's (ISRO) annual budget has crossed $1.5 billion and is growing steadily; the U.S. space budget is well over $20 billion, not including defence expenditure. However, demand for space-based services in India is far greater than what ISRO can currently supply, which makes private sector investment critical. Areas for potential private sector engagement include supporting the Indian National Satellite System (INSAT) in providing telecommunications, broadcasting infrastructure and disaster management services; earth observation for weather forecasting and national resource mapping; satellite-aided navigation for air traffic management; and Indian GPS systems like the Indian Regional Navigation Satellite System (IRNSS) and the Indian Constellation (NavIC).

The private sector is already playing a major role in partnership with ISRO, including an increasing number of satellite launches. A growing number of space-focused enterprises are also exploring end-to-end services in the business-to-business and business-to-consumer segments, aided by developments in artificial intelligence (AI) and big data analytics. We see major opportunities in low-cost satellite manufacturing for smaller businesses, as well as for large businesses or industry consortiums to participate in the production of the Polar Satellite Launch Vehicle, a launch vehicle designed and operated by ISRO.

Figure 49: Global Space Industry

(2015, US$335.3 Billion)



Source: Satelite Industry Report, June 2016

[21]For 2018, SIA Annual State of the Satellite Industry, https://www.sia.org/ssir_preview/ estimates the 2019 commercial market size at $277B while the Space Foundation, The Space Report estimates the total market (government and commercial) at $415B for 2018

Green Tech:

It's Good for the Economy and Your Health Too

Global focus and technological advances in resource sustainability, environmental protection, and climate resilience and mitigation are driving increased demand in the environmental technologies sector. The global market for goods and services in the environmental technologies sector reached $1.05 trillion in 2015,[22] with India claiming $17.87 billion of this market. As India looks to build out infrastructure and energy systems, environmental technology goods and services will play an increasingly important role in helping India achieve both its economic and environmental goals.

Within the environmental technologies market, there are significant market opportunities in water technology and air pollution control. Integrated water management is vital for sustainable economic development and the water and wastewater treatment market in India is projected to grow exponentially with increased urbanization and industrialization. Air quality management will also be a sector for growth. A growing middle class will increase demand for personal vehicles and air conditioning, and a growing manufacturing and industrial sector will require increased power generation—driving demand for air pollution monitoring and control technologies to mitigate emissions and improve overall health as it relates to air quality.

Beyond Agra and Niagara:

Growth Opportunities in U.s.-India Tourism

The U.S.-India tourism market potential far surpasses its incremental growth. While Indian tourists already flock to Niagara Falls, New York, top tourist destinations across the U.S. could attract tens of thousands of new visitors each year as India's middle class grows. Likewise, the average American visitor to India takes the day trip from Delhi to Agra to see the Taj Mahal, yet "Incredible India!" includes amazing safaris, an emerging wine country and an unparalleled potential for winter sports in the Himalayas. Thus a concerted effort to generate interest, demand and preferred destinations within the U.S.-India corridor could bring outsized benefits to the economies of both nations.

The global tourism industry is massive, surpassing $8 trillion in 2017 and comprising nearly 10% of the global economy. Yet bilateral tourism between the U.S. and India underperforms its potential. The U.S. tourism segment generated $1.62 trillion in U.S. economic activity in 2018, accounting for 11% of U.S. service exports and 2.8% of its GDP.[23] While the U.S. is the world's third most-visited destination, India's 1.4 million annual visitors puts the country 10th on the list for inbound tourism. Tourism visits by Indians to the U.S. are growing by 7% each year, with Indian visitors generating $15.5 billion in U.S. tourism revenue, suggesting that they often spend more per visitor than tourists from other nations.

[22]U.S. Department of Commerce, Top Markets Report 2017

[23]https://travel.trade.gov/about/industry_analysis.asp

Conversely, 1.38 million Americans travelled to India in 2018, tallying 13.72% of the country's international travelers. An "Incredible India!" program targeting key Indian tourism assets—safaris, wine tours, winter sports, tropical islands, et al. could expand the population of Americans with interest in visiting India, potentially resulting in significantly more U.S. visitors.

While governments play an important role in stimulating tourism, there is a distinct opportunity for the private sector to structure a coordinated and additive program to assess, address, and stimulate travel and leisure activities. CII and USIBC will work with our travel and leisure members to identify opportunities to accelerate this important and rapidly growing sector.

Education and Exchanges:

An A+ for skilling the Next Generation

The education industry has long been an integral component of growth between the U.S. and India, particularly in the areas of research and development, collaborative design partnerships around innovation, and exchanges including training programs and academic studies.

According to the *Open Doors Report 2017–18*, nearly 200,000 students of Indian origin are studying in the U.S.—close to 18 % of its entire population of international students. As a whole, international students[24] have contributed over $30 billion to the U.S. economy.[25] To support an increase in Indian students who choose the U.S. as a destination for higher education, U.S. companies could provide additional support and resources for students on Optional Practical Training (OPT). There is particular demand for skills-focused training programs across non- STEM fields.

The U.S. and Indian governments can play a significant role in establishing incentives to strengthen educational exchange. The Government of India could develop strategic criteria that allows for fair entry and setup of U.S. universities in India, creating new avenues for exchange and addressing a need for global perspectives. Both the U.S. and Indian governments could support easier facilitation of university-to-university exchanges and allow for more faculty exchanges between universities as well.

The governments of the U.S. and India could also consider restarting the U.S.- India Higher Education Dialogue as an official channel of communication, allowing for a single-shop platform of resources, stakeholders and expertise. There are four areas, according to the Brookings Institution, that can help propel U.S.-India cooperation in the higher education sector, namely teaching quality, governance, financial assistance and research. An important change in the dialogue should be the inclusion of private sector players to advise and provide recommendations for what is important to the future of work that can help design curricula and other such initiatives.

In addition, stronger collaboration between the countries could be facilitated by increasing the number of study abroad programs for universities, providing funding opportunities for students in Indian and U.S. universities to pursue joint research programs, and creating a sustainable model for U.S. and Indian universities to create dual degree programs that are partially completed in each country. Supporting digital education will be a key component for U.S.-India cooperation in this sector, with the private sector playing a key role by creating new and innovative platforms that connect people to quality education. Given the strength of both the U.S. and India in the education sector, the sky is the limit for collaborative growth.

[24]https://www.iie.org/Research-and-Insights/Open-Doors/Data/International-Students/Places-of-Origin

[25]http://graphics.wsj.com/international-students/

As both the United States and India consider the future of their partnership, it will be critical to build an encouraging and supportive ecosystem for nascent sectors like these to flourish. We think this effort is so important that USIBC and CII have developed a plan to identify challenges, recommendations, and emerging sectors. Through this partnership, we will release a new "Growth Sectors" report each quarter over the coming year.

Confederation of Indian Industry

125 Years: 1895-2020

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

Founded in 1895 and celebrating 125 years in 2020, India's premier business association has more than 9100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 291 national and regional sectoral industry bodies.

With 68 offices, including 9 Centres of Excellence in India, and 11 overseas offices in Australia, China, Egypt, France, Germany, Indonesia, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7 • F: 91 11 24626149 • E: info@cii.in • W: www.cii.in

cii.in/facebook | cii.in/twitter | cii.in/linkedin | cii.in/youtube

---

Formed in 1975 at the request of the U.S. and Indian governments, the U.S.-India Business Council represents top global companies operating across the United States, India, and the Indo-Pacific. Amid dynamic growth within the U.S.-India commercial partnership, USIBC serves as the premier voice of industry and creates connections between businesses and governments across both countries. Through flagship Washington, D.C. and New Delhi offices, as well as presences in Mumbai, San Francisco, Boston and New York, the Council works with members to identify and advance key policy priorities. Recognizing that U.S.-India trade is increasingly driven by new business hubs, USIBC is also focused on strengthening connections between cities and states.

USIBC is part of the U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Its International Affairs division includes more than 80 regional and policy experts and 25 country- and region-specific business councils and initiatives. The U.S. Chamber also works closely with 117 American Chambers of Commerce abroad.

U.S. - India Business Council | U.S. Chamber of Commerce
1615 H Street, NW, Washington, DC 20062, US
E:info@usibc.com | W: www.usibc.com

Follow us

/company/USIBC | USIBC | USIndiaBusinessCouncil | usindiabiz