

A very productive year for the businesses



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Even a casual observer of U.S.-India relations may have noticed the increasingly central role commerce was having in the strategic partnership between the two largest democracies over the past few years.

From lobbying to lift sanctions imposed against India following the country's 1998 nuclear tests to campaigning for the historic civil nuclear deal 10 years later, businesses from the two countries have helped the two countries narrow their differences on any number of issues and cement the alliance over the past two decades.

Last year was no exception. The growing importance of the U.S.-India commercial ties was evident throughout 2010. Business relations were at the center stage during the three marquee bilateral events of the year, the first United States-India Strategic Dialogue, the U.S.-India CEOs Forum, and the India visit of President Barack Obama in early November.

As the president repeatedly said before and during his visit, one of the main focuses of his India trip was trade and commerce. Reinforcing his words with action, Obama took with him an impressive delegation comprising high-ranking government officials and A-List business leaders, which included Secretary of Commerce Gary Locke, Secretary of Agriculture Tom Vilsack, General Electric's Jeffrey Immelt, Boeing's Jim McNerney, David Cote of Honeywell International Inc's and Indra Nooyi of PepsiCo Inc.

Within hours of reaching the country, the president got down to business in Mumbai, the commercial capital of India, by announcing the conclusion of a series of deals. Worth about \$10 billion, these transactions in areas such as defense, infrastructure, agriculture and clean energy are expected to create more than 50,000 jobs in the United States.

The overall size of the deals might not sound all that big, especially if one puts aside the two contracts involving Boeing—one with the Indian Air Force and the other with the budget carrier SpiceJet—that account for more than two-thirds of the total transactions. In volume, they equal the size of goods and services India and the United States trade with each other every 10 weeks or so.

The 50,000 new jobs the deals are projected to create might be a neg-

ligible number in an economy where 15 million are unemployed. And granted, smarting from a huge mid-term elections setback just days before the trip, the president may have been forced to highlight the business and jobs creations angle.

But more than the quantity and dollar figures of the deals, Obama's high-profile salesmanship of the transactions was important for two reasons. One, it was an unmistakable signal from the man who owns the bully pulpit that trade and commerce is central to U.S.-India partnership. Secondly, it is a testimony to India's emergence as a major world economy capable of propelling other economies, developed as well as developing.

Another noteworthy measure announced during the Obama visit, which would go a long way in increasing cooperation, especially in defense and aerospace, is the lifting of American restrictions on the export of "dual use" technology to India. India now will have access to U.S. technology that can potentially have both commercial and military applications.

As mentioned earlier, enhancing economic cooperation was also at the center of two other signature bilateral events of the year, the Strategic Dialogue and the CEOs Forum, both held in Washington in June.

At the first-ever Strategic Dialogue between the two nations, they explored the possibilities of increasing cooperation in the areas of education, energy, trade and commerce, and pledged to strengthen their business-to-business ties.

The CEOs Forum, led by Secretary of State Hillary Clinton and Finance Minister Pranab Mukherjee, and co-chairs David Cote of Honeywell and Ratan Tata of Tata Group, made several recommendations to the two governments in the areas of infrastructure, clean energy, education and e-health/biotechnology. It also proposed the creation of a \$10 billion Infrastructure Debt Fund for developing infrastructure in India.

One of the main missions of the Forum, announced in July 2005 during the Prime Minister Manmohan Singh's visit to Washington, is to develop a roadmap for greater economic cooperation between the two countries.

Key participants at the Forum included Commerce Minister Anand Sharma, Deputy Chairman of the Planning Commission Montek Singh Ahluwalia, Secretary of Treasury Tim Geithner, Commerce Secretary Gary Locke, United States Trade Representative Ron Kirk, and Assistant to the President, Director of the National Economic Council Larry Summers, Reliance Industries chairman Mukesh Ambani, Infosys Technologies CEO S. Gopalakrishnan and Bharti group chairman Sunil Bharati Mittal.

Another piece of good news on the bilateral commerce front last year was that the countries were able to put trade back on the growth track.



Pranab Mukherjee, Union Minister of Finance, Commerce Minister Anand Sharma and Secretary of State Hillary Clinton at a CEOs conference in Washington, DC. Mohammed Jaffer-SnapsIndia.

Ever since New Delhi launched market reforms in the early 1990s, India-U.S. bilateral trade grew every year. That trend was broken in 2009, when the Great Recession hit the United States hard. Putting that rough year behind, by last October, Indo-U.S. trade in goods and services had exceeded \$41 billion, which is \$3 billion more than 2009 and on pace to reach \$50 billion for the year.

If it does cross the \$50 billion mark, that would mean a 350 percent growth since 2000 and a more than 9-fold increase since 1990.

American exports to India mainly consist of diagnostic or lab reagents, aircraft, spacecraft and their parts, advanced machinery, cotton, fertilizers, and computer hardware. Indian exports to the United States comprise textiles and garments, cut and polished diamonds and jewelry, Internet-enabled services, agricultural and related products, leather products, pharmaceuticals and organic chemicals.

In spite of the remarkable growth in the economic relations, there were issues where the two sides have differences. Outsourcing and H-1B visa are two such areas of concerns.

Outsourcing has been an emotional issue in this country since the last recession in the early 2000s. After having lost the edge it had in manufacturing—as well as millions of jobs—to China, today Americans are very sensitive to the issue, especially in the wake of another recession that has had a devastating effect on the U.S. economy.

President Obama, who opposed shipping jobs abroad during his 2008 campaign, has consistently derided the practice by some companies of claiming tax incentives in this country even as they shift their workforce to other nations. For obvious reasons, his stand had not gone down well in India. The president did try to address the concerns of the hosts during the India trip.

In a way, the H-1B visa issue is also part of the same debate. Under this non-immigrant visa category, companies hire workers from foreign nations in specialty occupations to work here.

Since the mid-1990s, hundreds of thousands of highly skilled Indians have come to this country for employment on H-1B visa. Their contri-



President Barack Obama speaking at the USIBC meeting in Mumbai. Mohammed Jaffer-SnapsIndia.

tribution, especially to building the information technology infrastructure in this country, has been significant. But there have also been complaints that even while qualified employees are available in the United States, companies have been bringing workers from abroad.

Last year, Congress raised the fee for H-1B and L-1, another temporary non-immigrant visa that allows companies to bring their employees from other countries to the United States, to help pay for increased security measures on the U.S.-Mexico border. The fee increase affects only those companies that have at least half of their employees on H-1B or L-1 visas. For such firms, the fee for H-1B would go up by \$2,000 and for L-1 by \$2,250. The Indian IT industry denounced the measure, saying it will cost Indian companies an additional \$200 million, thereby making them less competitive.

Indians were further incensed this past week, when Congress passed another legislation extending the fee hike to fund free medical treatment to workers suffering from illnesses that they contracted while working at Ground Zero after 9/11. The new bill also imposes tax on goods and

services sourced from contractors in countries that are outside the purview of the World Trade Organization's Agreement on Government Procurement.

To their credits, the two sides have not let these and other differences affect their relationship. I am hopeful that the U.S.-India economic partnership will continue to grow in 2011.

Finally, the prominence trade and commerce received on last year's busy U.S.-India bilateral calendar indicates that the two governments are beginning to be on the same page when it comes to economic cooperation. Their apparent realization that one of their main businesses—if not the chief business—is facilitating bilateral business is a welcoming development.

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