



TEN YEARS FROM NOW, I BELIEVE WE WILL LOOK BACK ON THIS MOMENT AS THE TIME WHEN WE FUNDAMENTALLY CHANGED OUR COMMERCIAL RELATIONSHIP FOR THE BETTER.

TO SEE PRIME MINISTER MODI ADDRESS CONGRESS SPEAKS VOLUMES ABOUT ALL THE GOOD THINGS THAT ARE YET TO COME.

United States Assistant Secretary of Commerce for Global Markets **Arun M Kumar** — who was in India last month to further grow and nurture the US-India trade relationship — addressed several meetings in New Delhi, Bengaluru and Mumbai and said American businesses had invested already over \$15 billion in India over the last two years, and by 2018 would likely sign deals worth \$27 billion more.

‘Last year,’ Kumar pointed out, ‘US companies invested more in Indian equities than in China. US companies’ unique capabilities can help India address its priority needs and meet Prime Minister Narendra Modi’s economic development goals.’

At a meeting in Mumbai the assistant secretary said a whole lot of US hopes were being pinned on India’s swiftly burgeoning e-commerce market, which he said was the fastest growing market in the world. “US companies have already invested billions and, in the process, are making it easier for Indian firms export globally,” he explained.

Kumar, who was nominated by President Obama and confirmed as assistant secretary of commerce for global markets and director general of the US and foreign commercial service by the Senate a little over two years ago, guides all trade and investment promotion endeavors, both domestically and internationally, for the government through offices in 72 world markets. As the International Trade Administration’s top official he works for the best market approach for American exporters.

Before joining the government, India-born Kumar was a partner and on the board of global auditor giant KPMG, LLP and led their West Coast management consulting practice that serviced Silicon Valley biggies as well as global clients. He also started up and ran KPMG’s US-India Practice.

Each trip back to India is special for him, says the former Silicon Valley entrepreneur, because he began his career in Mumbai more than 40 years ago. Kumar, also the author of *Kerala’s Economy: Crouching Tiger, Sacred Cows* and a volume of poetry *Plain Truths*, says, ‘My story is one example of the people to people ties that bind our two nations together and lie at the heart of the US India partnership.’

After graduating from Thiruvananthapuram’s University College (whose alumni include painter Raja Ravi Varma, agricultural scientist Dr M S Swaminathan and late Indian President K R Narayanan), Kumar joined the elite Tata Administrative Service and worked there for five years before leaving India to do his Masters at MIT.

On his recent visit Kumar went down memory lane a bit and re-visited the Tata headquarters, where he once worked as part of the central management corps, “This morning I was meeting Cyrus Mistry (*Tata group chairman*) at Bombay House. I had a chance to see my old office, just down the corridor from where he works. Pretty cool... Somehow it looks smaller now, than it used to look when I was there. With passage of time you think things were much bigger. I guess it is a part of perspectives changing over time...”

In a discussion hosted by the Mumbai chapter of the Asia Society, with Ashok Wadhwa, Group CEO, Ambit Holdings, Kumar said: “When I was here in Bombay it was a dynamic and multi-dimensional city. I am sure it is still very much that way. There was a lot of electricity here. I am sure that’s still the same in every sphere... I was a young person, starting out my career and *this* was a great place to start. So I look back on it very, very fondly. It was a very different India then. That India is unrecognizable now...”

“Things have changed enormously and it is really interesting to see as one comes back to India, how every year, things seem to change *even more* and it is a testimony to the path the Indian economy has been on since 1991,” he added.

Assistant Secretary Kumar agreed to an interview with



Assistant Secretary of Commerce for Global Markets Arun M Kumar addresses a roomful of businessmen at the Mumbai chapter of the Asia Society.

VAIHAYSI PANDE DANIEL

Arun M Kumar

THE ASSISTANT SECRETARY
OF COMMERCE FOR GLOBAL
MARKETS SPEAKS TO
VAIHAYSI PANDE DANIEL.

India Abroad Editorial Director **Vaihayasi Pande Daniel** on e-mail, post his Mumbai meeting.

When you arrive on a trip to India after a gap, what are the things that give you a sense that India is buoyant and bustling with growth at the ground level?

Maybe it something you have instinctively picked up as a litmus test on trips to other countries as well. Like, for instance, how are the billionaires in the country making their money, for instance. Or something like that...

A visitor like me who stokes India periodically cannot but be struck by its pageant of constant change.

Over the last few years one can see cities growing, the modernization of major airports to world-class standards, new metro systems being placed in service and, of course, the challenging traffic conditions caused by the growth in the numbers of automobiles.

But there are also the aspects that we do not see — the growth in the numbers of young people who need to be employed, for instance. Some of these challenges also represent opportunities.

What have been the main setbacks in the strategic India-US partnership with respect to trade?

What has been the biggest disappointment with the Modi government so far as far as trade and commerce goes?

President Obama and Prime Minister Modi understand the extraordinary commercial opportunity before us. That is why they have decided to build a revitalized, 21st century

framework for economic and commercial cooperation.

In January 2015, they took a major step forward by launching the first-ever US-India Strategic and Commercial Dialogue — the signature, whole-of-government conversation with India. The leadership in both countries recognizes the importance of elevating commerce in our broader relationship.

India’s recent track record on economic reforms is impressive. The Indian government’s decision to ratify the World Trade Organization’s Trade Facilitation Agreement marks a significant step forward.

All trade relationships have room for improvement; in India, US companies still face high tariffs, localization requirements, and other trade barriers and policies that remain a significant challenge.

Overall, US goods exports to India face an average tax at the border of more than 13 percent — that is over six times the US duties levied on Indian goods.

Policies and practices that enhance predictability and level the playing field for foreign and domestic companies will only increase India’s competitiveness and spur innovation.

What have been the main points of optimism? What are the key factors that encourage US companies to stay invested in India?

Although it is often said, it is worth repeating: India and the US share so much in common — from a commitment to democracy to the innovative and entrepreneurial spirit that drives us forward.

US companies recognize that India has a growing middle class, a talented workforce, and an appetite for high-quality, reliable, and often cutting-edge American products and services. Companies have welcomed Prime Minister Modi’s business-friendly statements. They know that change does not happen overnight, but they are also encouraged by the recent reforms carried out during Prime Minister Modi’s first two years, including:

- Streamlining bureaucratic decision-making;
- Raising Foreign Direct Investment limits in key sectors;
- Establishing commercial courts to speed up the resolution of business disputes;

- Encouraging a competitive “race to the top” at the state level to attract business; and

- Most recently, the passage of India’s first national bankruptcy law.

Despite this positive news, more progress is needed to employ nearly 1 million people descending on India’s cities every month.

To do that, India needs to accelerate inward investment, which in turn will be spurred by increased bilateral trade.

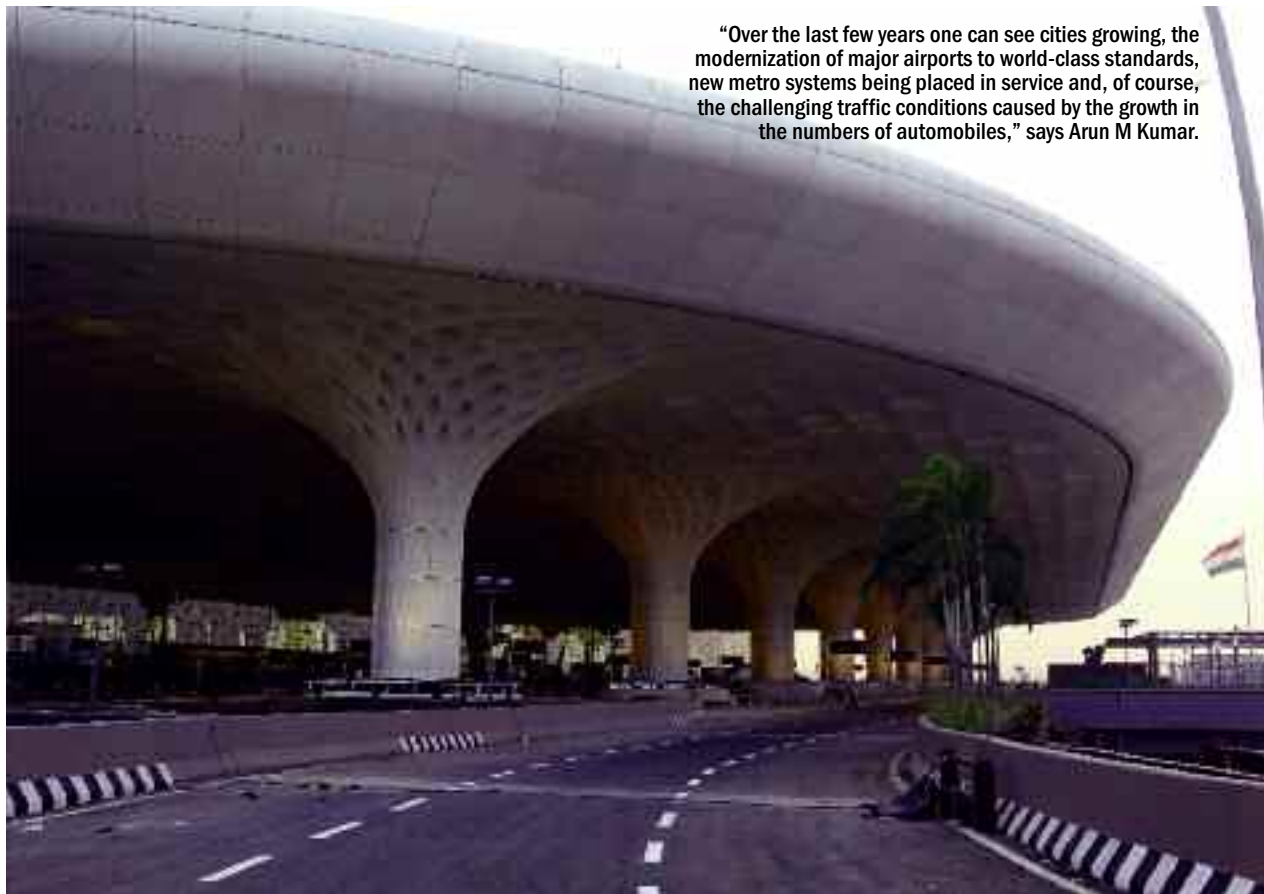
What are the top three to five moves India must make to gain more and more confidence of foreign investors especially US investors and transform itself?

What more do you want to see happening in India?

What do you think are the biggest hurdles to India realizing its potential?

I would say the top five moves that would send a strong signal to foreign investors would include developing a high standard US-India Bilateral Investment Treaty, passing the goods and services tax bill, increasing intellectual property rights enforcement, forgoing local content requirements, and increasing foreign direct investment caps in additional sectors such as multi-brand retail and e-commerce.

The Indian government recognizes that developing a business-friendly environment is vital to India’s long-term growth prospects. However, tariffs and non-tariff barriers increase the cost of doing business in India, militate against



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integration into global value chains and thus hamper overseas investment.

The United States is also committed to attracting job-creating investment from Indian companies. Earlier this month, AT Kearney released its annual Foreign Direct Investment FDI Confidence Index. For the fourth year in a row, the United States tops the list.

You have a unique position. Being of Indian origin you have an instinctive understanding of India and its issues and what it can actually deliver. That must build a huge advantage into your position and helped you move a trade relationship with India forward. Is that true?

The commercial and economic dimension of the US India relationship has been driven by the strong vision and leadership of (*Commerce*) Secretary (*Penny*) Pritzker who has formidable first-hand business experience working with India.

In working with her to advance the relationship, my own business experience and familiarity with India have been undoubtedly useful as have the insights shared by people I know in industry and government in India who have been generous with their counsel.

Will trade only really take off once the rupee becomes completely convertible and markets completely open? These are major reforms that may not happen for four years at least.

Does that mean there are still many years to wait for larger amounts of American investment? Or are certain sectors already very promising regardless?

The US-India economic and commercial relationship is growing rapidly, and it will continue to do so. Major economic reforms will certainly produce greater investor confidence, but already we have seen a five-fold increase in our trade with India over the last decade or so.

American companies have increased their direct investment in India by five times as well over the same period. Sectors such as e-commerce, travel and tourism, defense and aerospace, clean energy, urban infrastructure, and ICT present tremendous promise.

In these sectors and still more, US companies' unique capabilities can help India address its priority needs and Prime Minister Modi's economic development goals.

Arun M Kumar

Realizing the full potential of our partnership will require further progress in tackling market impediments, on transparency, in building predictable tax and regulatory regimes, and in greater contract sanctity.

The S&CD's commercial track is addressing these kinds of issues in four initial areas of common interest: 1. Smart cities and infrastructure development; 2. Innovation and entrepreneurship; 3. Product standards harmonization; and 4. Ease of doing business.

We are also exploring areas of additional cooperation at the sub-national level. India's states play a major role in defining the overall business climate and determining the trajectory of India's economic development.

States are competing to attract leading global companies to invest locally, create jobs, and increase competitiveness and productivity. A number of Indian states grew at double-digit rates from 2013-2015, exceeding China's best recent years of growth.

There must be so many anxieties, in the context of doing business with India, over dealing with Indian bureaucracy. Has that gotten less?

Has Modi changed that perception in the American business mind? Do you think enough has been done in the last two years to allay investor fears, anxieties?

Over the last two years, US businesses have invested over \$15 billion in India, and will reportedly sign deals worth another \$27 billion over the next two years. Prime Minister Modi's business-friendly statements and recent reforms have created optimism.

Companies nevertheless find the regulatory environment uncertain and unpredictable. For example, regulations are sometimes issued without a public comment period, and companies are expected to comply with the regulations without adequate warning.

In my experience, investment follows trade flows: Businesses want to validate an overseas market through trade before making the decision to invest there. President Obama believes that increased trade strengthens both

America's and the overall global economy.

The United States' openness to trade reflects a more fundamental reality: the Asia-Pacific region and the rest of the world will continue on a path toward deeper economic integration.

You mentioned at your Asia Society Mumbai address about hope for growth through tourism from both sides. What have been the encouraging signs on the tourism front?

Do investment dollars follow tourist dollars as a rule? I have heard it doesn't always.

India was the 7th largest market for US travel and tourism exports in 2014, with 962,000 visitors from India spending \$9.8 billion experiencing the United States.

For its part, the United States was the largest source of international visitation to India in 2015, with over 1.2 million Americans visiting the country. Destinations across the United States are working to increase visitation from India, and are collaborating in various ways with Brand USA to realize the potential of this market.

Prime Minister Modi came to power with an enormous mandate, but has not been able to get that much done really on his watch. Does that send a confusing message to American investors and companies?

I think companies are aware that reforms take time, don't happen overnight, and do require building a domestic consensus.

Businesses have also been clear about what domestic policy changes can produce additional growth, more good jobs, and shared prosperity for India and America.

I have been covering India's new economic climate since this discussion first began over 20 years ago. I have been sitting in forums like the one which happened last Monday at the Taj and the conversation is very déjà vu over these past two decades.

Everyone talks about how India is really poised for growth and about to become a big economic power. But the conversation remains about promises and promising futures and does not seem to go beyond that.

Do you sense something different? Is there something more that we should hang onto?

India has made tremendous progress since the early 1990s to grow to about a two trillion dollar economy. But creating enough growth to generate new jobs on a massive scale for the large segment of the Indian population under 35 is a daunting challenge.

Not only has India's economy transformed over the last twenty years, but these changes have occurred at the same time as tectonic shifts in the global trade architecture.

Policies and reforms that will open India up to global markets will help it lead and achieve its growth potential faster.

Ten years from now, I believe we will look back on this moment as the time when we fundamentally changed our commercial relationship for the better.

Both governments are fully invested in this enterprise and have laid the groundwork for success with the S&CD and other commercial initiatives. Now is the time to execute and deliver real outcomes.

The Diaspora community's voice is indispensable in serving as a guide on this journey, and we are deeply committed to further strengthening its important role in this conversation.

How can Prime Minister Modi's address to Congress change perceptions? How have his multiple visits changed perceptions about India from the business point of view?

I work in the executive branch of the US government, so my Congressional colleagues are better positioned to offer you their views.

I will venture the following: I see strong bipartisan and bicameral support for the US-India relationship. It's the potential to achieve a stronger partnership between the communities, businesses, and economies of our two nations that causes our political leaders to push for further progress.

It's quite remarkable to see Prime Minister Modi invited to address a joint session of Congress. Not many would have predicted it just a couple of years ago, and it speaks volumes about the positive state of the relationship — and all the good things that are yet to come.