



Modi needs to tell Congress that big bang reforms are on the way

A MAJOR REASON FOR MODI COMING TO AMERICA FOR THE FOURTH TIME IS TO PURSUE HIS VISION OF INDIA AS AN ECONOMIC POWER SUFFICIENT TO SUPPORT HIS VISION OF WORLD LEADERSHIP, SAYS **RAYMOND E VICKERY, JR.**



An indigenous Indian warship fascinates a next generation Indian at the Make In India Week in Mumbai earlier this year. The Defense Trade and Technology Initiative should bear fruit as Make in India moves into joint projects in the defense sector to go along with the US becoming the number one defense supplier to India in recent years.

SANJAY SAWANT

P rime Minister Narendra Modi has a vision of India as a world leader. He sees that to be a world leader India must have a world class economy, and that a world-class economy requires international partners. Thus, a major reason for Modi coming to America for the fourth time as PM is to pursue his vision of India as an economic power sufficient to support his vision of world leadership.

Modi knows that economic power is inextricably bound with politics and security. In fact, they are parts of the same reality. The present leadership of the executive and legislative branches of the United States government share Modi's vision of India as a world leader. After the US elections in November — who knows? So now is the time to come to the US and consolidate the gains made in his previous visits here and with Obama in New Delhi and Paris.

On his first visit, Modi established his personal credentials and identified his constituency among Indian Americans, the business and policy communities, and in government. His second visit was designed to tap the wellsprings of innovation and investment to fuel his Start-up India, Make in India, and infrastructure initiatives. The third visit established India as a responsible player on the most crucial of security issues — nuclear weapon technology.

In between these visits, Modi showed Obama in New Delhi that the US and Indian strategic visions for acting East and rebalancing to Asia were compatible and that he took seriously the need for fulfilling the promise of the US-India civil nuclear deal. In Paris, Modi astounded many and pleased Obama no end by showing Indian leadership on climate change and energy, particularly solar energy.

Talks and ceremony at the White House and at a joint session of Congress offer the possibility of embedding gains in a bi-partisan manner. This process can make progress difficult to undo whatever happens in the elections.

No doubt, there will be security tradeoffs discussed concerning the roadmap for implementing the joint vision statement for acting East and India's attempt to circumvent Pakistan by its Chabahar port strategy with Iran.

It is no accident that the ministry of external affairs in describing the areas for consolidation during Modi's visit, listed the economy, energy, and climate change first, followed by defense and security.

On the economy, Modi has been spectacularly successful in attracting foreign direct investment from the US (the world's greatest source of FDI) and elsewhere. With \$61 billion of new greenfield FDI in 2015, India has surpassed both the US and China as an FDI destination. Much of this FDI has been infrastructure — with solar power and the GE railroad locomotive projects being outstanding examples.

The fact that India is now the world's fastest-growing major economy and has jumped 12 places on the ease of doing business index will not be lost on the leaders of US business with whom Modi will meet.

And the best may be yet to come. On energy and the environment, the US-India civil nuclear deal may finally be implemented. Westinghouse should sign an early works agreement with India and the acceptance of an offer for six nuclear reactors is in the offing.

The Defense Trade and Technology Initiative should bear fruit as Make in India moves into joint projects in the defense sector to go along with the US becoming the number one

defense supplier to India in recent years.

The US-India Innovation Forum will meet later this year with the promise for cooperation on start-up incubators, innovation eco-system development, and technology transfer.

And yet, all is not peaches and cream for US-India economic engagement. While investment both from the US to India and India to the US is growing rapidly, US-India trade is essentially flat over the last two years and at a level less than one-seventh that of US- China trade.

Protectionist sentiment is running high in both countries. Cooperation at the World Trade Organization is still low with the US and India litigating Indian local content restrictions. India is threatening some 16 additional actions against the US. Litigation on temporary visas and social security equalization is in the offing.

Progress is being made with legislation in Congress to treat India like an ally for defense technology sales, but several members of the Senate are opposing India's inclusion in the Asia Pacific Economic Cooperation group. India has grave doubts about a strong US-India Bilateral Investment Treaty, and no progress seems to have been made lately. Indian tariffs are still high and non-tariff barriers to trade endemic.

Thus, on trade particularly, Modi will have an opportunity to do some fence-mending and show that some of the pending 'big bang' Indian economic reforms many had hoped for are still possible. Modi can hardly be blamed for the Rajya Sabha blocking the Goods and Services Tax. However, without this reform, India remains not a single national market but 29 state markets.

Major means of production are still State-owned and retrospective tax issues have not been laid to rest. India is hostile to foreign involvement in consumer sales and a mostly closed food and agriculture economy is a sore spot. There is less than a meeting of the minds on IPR and governance of the internet.

Hopefully, Modi's visit can head off some of the more virulent anti-trade sentiment that has reared its head again during this election season.

All-in-all, the US-India economic engagement cup is considerably more than half full. Modi's visit should allow for a showcasing of progress that has been made while blunting the anti-foreigner, anti-India sentiment on display in several corners.

A second meeting of the US-India Strategic and Commercial Dialogue is being scheduled for New Delhi in late August. This Modi visit to Washington can promote a robust appreciation for a strong US economic and security relationship and set the stage for further progress.

As Assistant Secretary of Commerce, Trade Development, under President Bill Clinton, in carrying out the Big Emerging Markets initiative, Ray Vickery had particular responsibility for India. He was also instrumental in planning and executing Commerce Secretary Ron Brown's mission to India. Ray was a leader in the US-India Business Council's programs for President Clinton's historic trip to India in 2000, and served as policy adviser to Clinton when he returned to India in 2001 after his presidency. He is currently a Global Fellow at the Woodrow Wilson International Center for Scholars.