

INDIA TODAY

PANIC OVER AVIAN FLU CRICKET'S NEXT CHALLENGE

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SPECIAL ISSUE

THE BUSH VISIT

# GREAT EXPECTATIONS

Hard bargaining precedes the US President's maiden visit as both sides work towards taking the relationship to a new high.

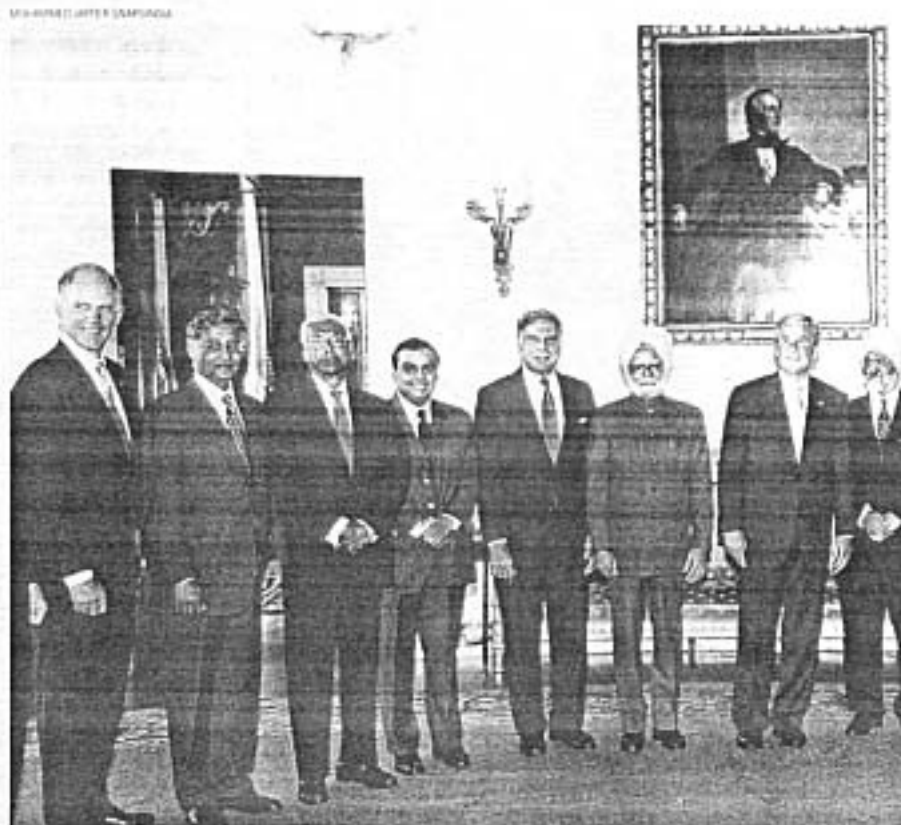
IN-DEPTH ANALYSIS AND EXPERTS' COLUMNS.



BUSINESS BETWEEN THE TWO COUNTRIES HAS SURGED, BUT THINGS CAN BE MUCH BETTER WITH MORE ACTIVE SUPPORT FROM GOVERNMENTS ON EITHER SIDE.

■ By Puja Mehra and Anil Padmanabhan

United States President George W. Bush had said in his annual State of the Union address this year: "The American economy is pre-eminent, but we can't afford to be complacent. We are seeing new competitors, like China and India, and this creates uncertainty, which makes it easier to feed people's fears." That was a rare moment when he saw India as a competitor. While the US sees China as a threat, it considers India an opportunity. If there is one thing Americans wish to convey during Bush's visit to India next month, it is that the US has long term business plans in India.



# BUSINESS AS THE BAIT

India is strategic to US businesses. Wall Street's best known names are looking at leveraging the India opportunity for its profitable markets, low costs and a big talent pool. Citigroup India is the largest exporter of talent to its global network. The Bangalore unit of Intel team is developing micro-processor chips for high-speed broadband wireless technology to be launched in 2006. Says Balvinder Singh Kalsi, president DuPont India: "India is a strategic growth country for DuPont. We want to leverage it beyond product sales." The American chemical and healthcare major is banking on India for R&D, knowledge process work and manpower to push its global business.

Citigroup's business in India in last decade has outpaced that in any other

country. Both business and staff count of the company—one of the the largest foreign direct investors from the US—have grown three-folds in the last five years. Country head Sanjay Nayar says, "India's attractive demographics, economic liberalisation and growth potential puts it among the top five markets for Citigroup internationally." DuPont, too, has seen an annual average growth of more than 25 per cent in the past five years. Bilateral merchandise trade between India and the US has grown from Rs 551,690 crore in 2000-1 to Rs 645,580 crore in 2005-6 (April to November).

Economic relations between India and the US have been largely on the auto-pilot and could do with some policy push to clear the hurdles to higher

growth. All eyes, therefore, are set on Bush's visit. So, will the Presidential visit provide the desired push?

Kiran Pasricha, Washington-based deputy director general of the Confederation of Indian Industry, says: "There is a lot of content in this visit as compared to Bill Clinton's trip in 2000. You would see major announcements on agriculture, science & technology and business. Tangible results will translate into providing more momentum to the relationship."

A 20-member forum of CEOs from top businesses from the two countries was set up during Prime Minister Manmohan Singh's visit to the US in July 2005. Ratan Tata, chairman, Tata Group, heads the Indian side of the forum while the US side is led by



**THE INNOVATIVE SPIRIT OF THE INDIAN AND THE US PRIVATE SECTOR WILL MOVE BOTH COUNTRIES CLOSER** WILLIAM HARRISON, CHAIRMAN, JP MORGAN CHASE



### BIG BIZ: Top Indian and US CEOs with Manmohan Singh and Bush

William Harrison, chairman, JP Morgan Chase. Over the past nine months, the forum has shortlisted concerns of both sides. The draft report, which will be made public after the Bush-Singh summit meeting on March 2, lists the primary American focus on lifting the restrictions imposed on technology export to India, putting in place a transparent dispute resolution mechanism, especially for intellectual property rights, and further liberalisation of the Indian financial sector. (See graphic: What's On Agenda?)

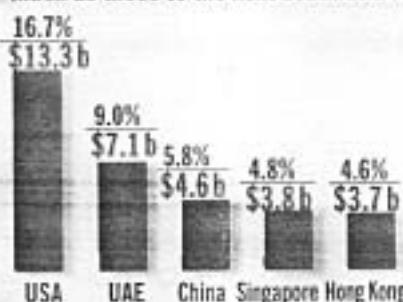
There is also a plan to pronounce a global health initiative, which will draw upon the competitive advantages in both countries. A beginning in cooperation in agriculture is also expected. The proposal is to seek technology from top US universities and research institutes to kick off the second Green Revolution here. In case his schedule permits, Bush is likely to launch the initiative in Punjab. "Technology transfer can affect the largest number of people in India by taking the Green Revolution from food

## TRADING FIGURES

Statistics prove how bilateral relations are being driven by business.

### No. 1 Export Destination

India's US exports are nearly twice as much as those to the next destination

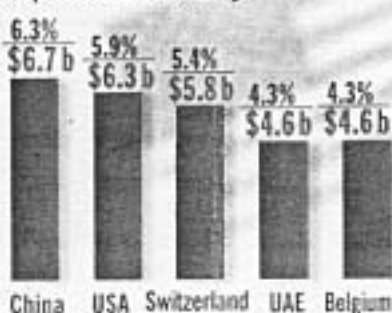


Figures denote India's exports to top 5 destinations and their share in the aggregate for 2004-5

Gems & jewellery, garments, cotton yarn, pharmaceuticals and spices are among India's main exports to the US

### Top Source of Imports

Imports from the US are half of the exports to the country



Figures denote India's imports from top 5 sources and their share in the aggregate for 2004-5

Among main imports from the US are electronics and computer software

Source: Commerce Ministry

### Largest Foreign Investor

If FDI routed through Mauritius is counted, US is the largest investor



Figures denote US FDI into India and its % share in total inflows

Five largest investors are: Mauritius, US, Japan, Netherlands and the UK

\*11 October Source: Dept. of Industrial Policy and Promotion

grains to vegetables, fruits and cash crops," says Amit Mitra, DG, FICCI.

Though all US companies would like to see lower taxes, improved infrastructure and lesser red tape, the sector-specific speed-breakers will also have to be smoothed out for realising the true potential. More than 125 Fortune 500 companies, including General Electric, Hewlett-Packard and Daimler Chrysler, have R&D bases in India. Microsoft and Sun Microsystems have set up their biggest offshore operations in India. The two countries need to collaborate on the evolution of standards in information security for India to become the knowledge hub. Says Shanker Annaswamy, managing director, IBM: "Cyber security and data privacy are important for the development of a vibrant IT-enabled services sector. The US and India have equal stake in the issue of data privacy regulation as nearly 80 per cent of India's IT-enabled service exports go to the US." The CEO forum is keen to get greater acceptance of clinical data emanating from trials conducted in India. Intellectual property issues are less of a concern now that India is a signatory to WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS), according to Kiran Mazumdar-Shaw, who is one of the members of the CEO Forum and the chairperson and managing director of India's largest biotech company Biogen. "What we now need to do is to align our regulatory system to the US Food and Drug Administration, which will enhance our global participation in drug development," she says.

High taxes and duties on products such as MP3 players, cell phones, memory sticks and USB flash drives create a barrier for passing low-cost benefits to consumers. This deters growth of organised business as the grey market prices of these products are nearly 50-60 per cent lower. "Global giants will set up large manufacturing bases here when organised demand increases," says Sanjay Mehrotra, CEO and executive vice-president of SanDisk, which has just set up an R&D facility in Bangalore. After Apple's ubiquitous iPod SanDisk