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Indian Economy and India-US Business Relations

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Diplomacy and Business are comrade in arms, if not coincident there is always healthy intersect and overlap. This makes me all the more happy to be here this evening amongst friends at the Ohio Asian American Economic Summit. I always like to mention this interesting nugget from history to illustrate my point. President George Washington, on November 19, 1792, nominated Benjamin Joy of Newbury Port as the first American Consul to Kolkata. Mr Joy reached the City of Joy only in April 1794. He was never recognized as Consul by the British East India Company but was permitted to and I quote “reside here as a Commercial Agent subject to the Civil and Criminal Jurisdiction of this Country...”. Despite this rather awkward beginning, Benjamin Joy’s arrival was the beginning of a long American relationship with Kolkata – and, indeed, with all of India.

At a time of geopolitical uncertainties, political turbulence, economic volatility and technological disruptions, India is a bright spot of growth and stability in the global economy. Despite the temporary disruption of demonetization, done in the interest of a clean economy and rolling out of the Goods & Services Tax, the growth has not slowed much and we are optimistic of its return to above 7.5 per cent as early as next year. The IMF projects the growth to accelerate to 7.7% in 2018-19, from 7.2% in 2017-18. India’s 2.3 trillion dollar economy is the fastest growing economy in the world and most analysts predict it will remain so in the long run.

Transformative Reforms

Economic reforms are taking place at unprecedented pace and touch all aspects of business investment and operations cycle. On almost every index of economic performance - competitiveness, innovation, ease of doing business, logistics, attractiveness as an investment destination, consumer confidence and business optimism - India's ranking is constantly improving. The commitment is to ensure Good Governance which includes easy, effective and transparent Governance with emphasis on eGovernance. India has started open auction for natural resources including telecom spectrum, coal mines and other minerals and even private radio channels. This has together contributed about 75 billion US dollars in revenue. Using technology, we are enhancing responsibility and reducing discretion and corruption. We are using our Unique ID system in financial transactions and taxation. These steps, coupled with demonetization of high value notes has resulted in formalizing a large part of our economy. The number of new tax payers filing income tax returns has more than doubled. Digital transactions have increased by 34% in one year, as we march towards a less-cash economy.

In keeping with our emphasis on minimum government and maximum governance, 1200 out-dated laws have been repealed in three years. New laws and institutions for Bankruptcy and Insolvency as well as Arbitration are now in place. Strengthening of the Intellectual Property (IP) eco-system in India is another area of importance. India is fully committed to the protection of intellectual property rights and a new IPR policy has been launched in May 2016 with focus on generating awareness and evolving a strong legal IP framework.

36 white industries have been taken out from the requirement of environmental clearance. Incorporating a company is now just a one day affair. We have simplified industrial licensing, and introduced online application process for environmental and forest clearances. All these have made opening a new business very easy. India has climbed 30 places in the World Bank Ease of Doing Business Index this year. It is the biggest jump by any country this year and a recognition of India's long term reform trajectory. We have moved up 32 places in the last two years in the Global Competitiveness Index of the World Economic Forum; We have also moved up 21 places on the Global Innovation Index of WIPO in two years; We have moved 19 places on the Logistics Performance Index of 2016 of World Bank.

In July 2017, India implemented the highly complex task of migrating to a uniform Goods and Services Tax for the whole country. This has done away with a vast range of State level and central level taxes through-out India. This is no small achievement given the vastness and diversity of our country and the federal nature of our polity.

A very large part of India's population had no access to banking services. This deprived them of the opportunities for savings as well as access to institutional credit. With the Jan Dhan Yojana, within a matter of months, the lives of millions of Indians were transformed. 197 million bank accounts were opened in one year. Till August 2017, 290 million such accounts have been opened in Indian banks. Nearly 200 million Ru-pay cards were issued for easy cash-less transactions. Access to banking services by the poor has also played a major role in tackling corruption in government. Now, benefits meant for the poor get directly deposited into their accounts as direct benefit transfers, eliminating leakages and possibility of any discrimination. More than 146 million people are receiving direct benefits through bank accounts on cooking gas alone. Today, the government is using Direct Benefit Transfers for 59 different schemes worth nearly US\$ 10 billion.

One of the major focus of Government of India is entrepreneur--ship for which the 'Make in India' campaign has been launched. India seeks to be a global manufacturing hub. At the same time, we want our youth to be job creators; not just job seekers. For this purpose, we have launched drives called Start up India and Stand up India.

India is today power surplus. Presently, improving access to electricity and enhancing grid efficiency is being actively pursued. We have set an ambitious target of adding 175 GW of renewable energy, including 100 GW of solar capacity by 2022. We have also committed to achieve 40% of cumulative electric power installed capacity from non-fossil fuel based resources by 2030.

Growth is accompanied by increasing macroeconomic stability. Fiscal deficit, current account deficit and inflation rates are down, the Indian rupee is stable and foreign exchange reserves are at a record high. Foreign direct investments grew over 60 per cent in the last two years to US\$ 63 billion in 2016, reflecting India's position as the most preferred investment destination today. With 100% FDI allowed in over 90% of sectors coupled with economic initiatives such as Bankruptcy Law, launch of Commercial Courts, launch of one-stop

Government e-Marketplace portal we expect greater interest by investors in India. India's E-commerce industry is expected to reach US\$64 billion by 2021.

Regulatory compliances have become easier. Labour laws have been codified into a single code; number of registers to be maintained have come down; e-filing of returns have started; self-certification has been introduced; number of documents for export and import have come down to three; Customs operate round the clock at 19 seaports and 17 airports.

India-US Business Relations:

This year we are commemorating 70 years of India's independence as well as 70 years of diplomatic relations between India and the United States. The relationship has lately been marked with coordination at the highest level which can be seen from the large number of high level visits that we have exchanged in the last few years. We now enjoy what is known as Global Strategic Partnership and we are working together to advance common objectives. To highlight the importance of the relationship I can do no better than quote my Prime Minister who said *"I believe that the inherent convergence in my vision of a 'New India' and President Trump's vision of 'Make America Great Again' will create new dimension for mutual cooperation. It's my considered view that a strong and successful USA is in India's interest. Similarly, India's development and India's growing importance at the global level is in the interest of USA. Enhancement of trade, commerce and investment links will be the priority of our shared efforts. And in this context, expansion and deepening of our cooperation in the field of technology, innovation and knowledge economy will be among our top most objectives"*.

These sentiments were amply reflected in the joint statement issued at the end of the visit of Prime Minister to Washington in June 2017 which spelt out our joint objectives to include combatting terrorist threats, promoting stability across the Indo-Pacific region, increasing free and fair trade, and strengthening energy linkages. We have noted with satisfaction the remarks by President Trump at Danang, Vietnam while meeting with CEOs at the sidelines of the APEC Leaders Summit. President Trump said and I quote "since India opened its economy, it has achieved astounding growth and new world of opportunities for its expanding middle class. And Prime Minister Modi has been working to bring the vast country and all its peoples as one. And he has been working at it very successfully indeed". The recent speech by Secretary Tillerson on India-US ties is also visionary and in fact lays out a road map for our ties for the next 100 years. He said on October 18, 2017 *"another more profound transformation is taking place, one that will have far-reaching implications for the next 100 years. The United States and India are increasingly global partners, with growing strategic convergence. Indians and Americans don't just share an affinity for democracy; we share a vision of the future. The emerging Delhi-Washington strategic partnership stands upon a shared commitment upholding the rule of law, freedom of navigation, universal values, and free trade. Our nations are two bookends of stability on either side of the globe standing for greater security and prosperity for our citizens and people around the world. In this period of uncertainty and somewhat angst, India needs a reliable partner on the world stage. I want to make clear, with our shared values and vision for global stability, peace and prosperity, the United States is that partner."* With such strong political backing to the relationship there is no other trajectory but northwards for our relationship to grow.

India Matters for US and US Matters for India: USA is one of the top 5 investment destinations for FDI from India. Indian companies have a cumulative investment of \$15 Billion in the US economy. There is thus significant contribution being made by Indian companies and business houses to the US economy that has created thousands of jobs and generated income

for the local communities. Some latest estimates indicate that Indian companies generate no less 133,000 direct jobs in the US. At the same time Indian skilled professionals have been a part of the US economic ecosystem and their presence has been beneficial to the growth and development of US industry as they serve to fill critical skill gaps. Studies on the subject have also concluded that the presence of guest workers, such as those who live and work on H1B visas, add value to the American economy and help to keep American companies innovative and competitive.

US is the sixth largest source of foreign direct investment into India. The cumulative FDI inflows from the US during April 2000 to June 2017 amounted to \$ 20.98 Billion constituting 6% of the total FDI inflows into India. During the latest fiscal April 2016 – March 2017, FDI from US stood at \$ 2.38 Billion

India is looking forward to the US participation at the Global Entrepreneurship Summit in Hyderabad, November 28-30, 2017 led by Ivanka Trump. The summit will deal with four major themes viz. Energy and Infrastructure, Healthcare and Life Sciences, Fintech and digital economy and Media and Entertainment. The Summit is expected to expand collaboration between startups, venture capitals and other stakeholders of both the countries.

Two-way trade has grown exponentially and is worth \$115 billion in goods and services. India is now the 9th largest trade partner for the US in two way merchandise trade. India's contribution to the overall trade deficit of the US is relatively small - around 3%. The trade deficit in the first 9 months of 2017 has gone down by \$2 Billion; in comparison with China it has gone up by \$10 billion. Our Commerce Minister was in Washington in October 2017 and held discussions on the way forward. Emphasis is on a holistic and objective approach to understand the dynamics of this trade and assess its economic benefits, rather than focus solely on the numbers. Attempts are underway to address this trade deficit. Our leaders have resolved to deepen defense and security cooperation, building on the United States' recognition of India as a Major Defense Partner. As India proceeds to procure weapon systems from the US, it will make a significant impact on the trade deficit. Indian civil aviation companies have ordered more than 300 Boeing aeroplanes and with a sector growing at over 20% these orders are bound to grow. The first-ever shipment of American crude oil to India worth US\$334 million reached India on October 1, 2017. We are looking forward to more such consignments. New LNG exports from US to India are expected to start from Cove Point in Maryland from January 2018.

India is one of the largest suppliers of generic medicines to the United States. The Indian pharmaceutical industry therefore plays a critical role in contributing towards making the US healthcare system better, flexible and more affordable.

The presence of a large and vibrant Indian American community is a bonding factor between the two countries. More than 4.5 million Indian know America as their home and are contributing to their communities as doctors, engineers and innovators, and proudly serving their country in uniform. It is difficult to imagine the US' leadership role in IT without the contribution of Indian scientists and engineers. As Secretary Tillerson says "*The exchange of technologies and ideas between Bangalore and Silicon Valley is changing the world. Prosperity in the 21st century and beyond will depend on nimble problem solving that harnesses the power of markets and emerging innovations in the Indo-Pacific. This is where the United States and India have a tremendous competitive advantage. Our open societies generate high-quality ideas at the speed of free thought.*"

Further, nearly 207,000 Indian students are studying in the US (As on May 2017) out of which over 173,000 are STEM students. They contribute over \$5 billion to the US education system each year. Nearly 1.2 million American visitors traveled to India last year

Despite its all-encompassing nature, diversity and richness of the ties, I think we are at the moment only scratching the surface of the potential. This sets out the task for all of us. I thank the Ohio Asian American Pacific Islander Advisory Council and Ariel International Center for giving me this opportunity this evening and I wish to place the Consulate of India at your disposal for furthering India-US ties.

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