

## Written Testimony

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**Before**  
**The House of Representatives Committee on Foreign Affairs**  
**Subcommittee on Asia and the Pacific**

**“U.S.-India Relations under the Modi Government”**

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### **Introduction**

Chairman Chabot, Ranking Member Faleomavaega, and members of the Subcommittee, thank you for the opportunity to speak about the Department of Commerce’s role in promoting U.S. business abroad along with increasing investment into the United States and specifically our engagement with India.

The Department of Commerce’s International Trade Administration (ITA) strengthens the competitiveness of U.S. industry, promotes trade and investment and ensures fair trade through the rigorous enforcement of our trade laws and agreements. ITA’s efforts are driven by the needs of our primary constituency – the U.S. business community.

India is a huge country with an enormous market that significantly underperforms in the context of its commercial relationship with the United States. With a new government in charge, the timing may be right to materially improve our bilateral trade relationship, which could translate into greater opportunities for U.S. businesses. Despite all of the economic and commercial challenges we face in India, it is an important global partner and key player in the region.

In 2010, President Obama said the United States-India relationship will be “one of the defining partnerships of the 21<sup>st</sup> century” and that the United States “seek[s] prosperity – a strong and growing economy in an open international economic system.”<sup>1</sup>

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<sup>1</sup> *Remarks by the President to the Joint Session of the Indian Parliament in New Delhi, India, November 8, 2010, <http://www.whitehouse.gov/the-press-office/2010/11/08/remarks-president-joint-session-indian-parliament-new-delhi-india>*

From 2000-2013, United States-India trade in goods and services has grown from \$19 billion annually to \$97 billion. Having recently returned from India where I met senior Government of India (GoI) officials, chambers of commerce, and leaders of U.S. and Indian businesses, I would agree that the potential is indeed vast.

A U.S.-India Strategic Dialogue (SD) meeting is scheduled for July 31, 2014 with the participation of Secretary of State Kerry and Secretary of Commerce Pritzker. The Dialogue will build on the newly elected Prime Minister Modi's agenda to return India to robust and sustainable economic growth.

### **The Importance of India**

The commercial importance of India to the United States is growing: it is the world's third largest economy (after the United States and China) measured by GDP in terms of purchasing power parity (\$6.78 trillion in 2013), the tenth largest in nominal GDP (\$1.88 trillion), and the eighth largest consumer economy.<sup>2</sup> It has an urban middle class forecasted to reach 400 million people and a significant "affluent class," both of which translate into high-potential markets for U.S. exporters.

India is currently a relatively small market for the United States, in terms of total U.S. exports, highlighting the potential opportunity for continued growth. Manufactured goods such as diamonds, gold, and jewelry; aircraft and aircraft parts; and machinery are among the leading products that the United States exports to India. (See table below.)

#### **Top U.S. Goods Exports to India in 2013**

Product	Value of Exports in \$	Share of Total U.S. Goods Exports to India
Diamonds, Gold, and Jewelry	\$5.8 billion	26.4%
Aircraft and Parts	\$3.0 billion	13.5%
Machinery	\$2.2 billion	10.3%
Electrical Machinery	\$1.3 billion	6.0%
Medical, Analytical, and Measuring and Checking Instruments	\$1.3 billion	5.9%

<sup>2</sup> World Bank Indicators for 2013: GDP (Current US\$); and GDP, PPP (current international \$); and Household final consumption expenditure (current US\$).

Carbon Black, Coal, Petroleum Coke, and Petroleum Oils	\$1.3 billion	5.8%
<i>India Total</i>	<i>\$21.8 billion</i>	<i>1.4%</i> <i>(Share of U.S. goods exports to the world)</i>
<i>World</i>	<i>\$1,579.6 billion</i>	--

Source: Census Bureau, Global Trade Atlas (accessed June 30, 2014)

### Top U.S. Services Exports to India in 2013

Service	Value of Exports in \$	Share of Total U.S. Services Exports to India
Travel (for all purposes including education)	\$7.3 billion	54.4%
Transport	\$2.0 billion	14.7%
Other business services	\$1.1 billion	7.9%
Telecommunications, computer, and information services	\$961 million	7.1%
Charges for the use of intellectual property not included elsewhere	\$890 million	6.6%
Financial services	\$567 million	4.2%
Maintenance and repair services not included elsewhere	\$332 million	2.5%
Government goods and services not included elsewhere	\$270 million	2.0%
Insurance services	\$88 million	0.7%
<i>India Total</i>	<i>\$13.5 billion</i>	<i>2.0%</i> <i>(Share of U.S. services exports to the world)</i>
<i>World</i>	<i>\$687.4 billion</i>	--

\*Source: U.S. Bureau of Economic Analysis, *Table 1.3. U.S. International Transactions, Expanded Detail by Area and Country*; and *Table 1.1, U.S. International Transactions* (for U.S. exports to world). Release date June 18, 2014 for both tables.

A priority for ITA is to expand commercial opportunities for U.S. exporters in India through the promotion of U.S. exports of goods and services and improved access to the Indian market.

Another priority is to increase direct investment in the United States from India. These efforts are part of a broader Administration effort to increase prosperity in both countries and complement bilateral efforts to enhance regional and global security. This ultimately strengthens democracy and civil society around the world.

ITA's presence in India, with a total of seven posts (New Delhi, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, and Mumbai), gives it the largest footprint of any ITA operation outside the United States in terms of number of locations in one country. In Ahmedabad and Bangalore, the Commercial Service is the only U.S. Government agency present and supports the U.S. Mission in India as a whole. In cooperation with local Indian business chambers, we operate 13 American Business Corners (ABCs) in second- and third-tier cities in every region of India to promote U.S. goods and services exports as broadly as possible. Since we opened the first ABCs in 2012, they have recorded 60 export success stories and one foreign direct investment success.

### **Supporting U.S. Companies**

ITA understands the value of exports and its direct correlation to job growth. ITA plays a vital role in the needs of American companies seeking to do business in India. The Indian subcontinent is one of the largest and most diverse markets served by ITA. ITA, through its U.S. and Foreign Commercial Service (Commercial Service), whose mission includes to help U.S. companies enter new markets and expand exports in current ones, currently has staff in over 100 cities in the United States and at U.S. Embassies and Consulates in over 75 markets around the world.

ITA's Commercial Service in India currently has 63 employees, including ten Foreign Service Officers and 53 locally-employed staff. They are located in seven offices which provide broad geographic coverage in a varied and decentralized market. The India-based Commercial Service staff also includes Officers supporting two other Commerce Department bureaus (Patent and Trademark Office and the Bureau of Industry and Security), raising the total Commerce staff count to 72.

The geographic dispersion of the Commercial Service's India-based staff reflects the decentralized way business is conducted in India and accounts for the strong and influential role of India's 29 States. While the potential for export sales into such a vast market is striking, the challenges in India are significant, and ITA will continue to explore opportunities for improved market access for U.S. businesses with the new Government of India. ITA's proactive support for U.S. firms exporting to India helps American companies become more competitive in the Indian market.

ITA maintains staff at the Asian Development Bank (ADB) in the Philippines where we provide information to U.S. companies on projects funded by the ADB. India is the biggest borrower from the ADB in the region as its infrastructure needs are substantial. This year, Commercial Service India began developing a closer working relationship with ADB staff. The demand for infrastructure growth in India will increase the demands for capital and ITA stands ready to help U.S. exporters tap into these projects as they come online.

ITA also runs the Advocacy Center, which coordinates U.S. Government advocacy for small, medium, and large U.S. companies in various sectors to assist in winning government contracts across the globe. In regards to India, between FY 2010 and 2013, ITA recorded advocacy wins with estimated contract values of \$5.2 billion and U.S. export content of \$5.0 billion. So far in FY 2014, we have successfully helped U.S. companies win \$4.2 billion in contracts, all of which was U.S. content. The Advocacy Center currently has \$30.9 billion in proposed contracts in the India portfolio, including \$15.1 billion in U.S. export content, for which the U.S. Government is an advocate abroad.

### **Meeting the Challenges of Doing Business**

Doing business internationally can be risky and confusing for companies, particularly the small- and medium-sized enterprises that are at the core of ITA's mission. ITA's policy efforts are geared toward improving short-, medium- and long-term successes in international commerce. We do this in four ways: 1) by providing direct support to U.S. companies, using existing tools and relationships to help resolve commercial problems; 2) by opening markets and working with foreign governments to improve the business climate; 3) by representing U.S. business interests during trade negotiations; and 4) by helping to enforce our current trade agreements.

As noted previously, India is our 18<sup>th</sup>-largest goods export market, and the United States-India commercial relationship holds great potential for growth. However, the current level of U.S. exports is actually rather small for a market of India's size. There are many issues that limit our trade from reaching that potential. U.S. companies need to be aware of and vigilant about these issues before attempting to enter the Indian market. These include protection and enforcement of intellectual property rights (IPR); localization requirements; high tariffs and other import charges; market access barriers for certain services sectors; a difficult regulatory and bureaucratic system that often lacks transparency and predictability; and corruption.

ITA provides direct support for real-time business needs; its goal is to monitor and work with other U.S. agencies to ensure that India implements and adheres to its trade agreement obligations and otherwise affords market access for U.S. exports. ITA uses its close relationship with U.S. industry, as well as its understanding of India's political, cultural and business climate, to ensure that India is fulfilling its obligations and that our companies are able

to compete with domestic firms in that country. Our network of foreign and domestic commercial officers, locally-employed staff, and industry experts in Washington, D.C and trade specialists around the country work closely with U.S. firms to help them overcome barriers to doing business in foreign markets.

Let me highlight some key initiatives where ITA plays a critical role to facilitate U.S. companies' success in the Indian market.

ITA leads the public-private U.S.-India Commercial Dialogue (CD). The CD has been effective in facilitating information exchanges between government and private-sector experts on standards and regulatory procedures. In March, we renewed the CD for its eighth two-year term. ITA also chairs working groups on biotechnology, life sciences and civil aviation and infrastructure in the public-private High Technology Cooperation Group led by Commerce's Bureau of Industry and Security. ITA has chaired the working group on industrial tariffs and non-tariff barriers under the Trade Policy Forum led by the Office of the U.S. Trade Representative (USTR). We are supporting the technical discussions on a bilateral investment treaty (BIT) with the Indian Government that are led by USTR and the State Department. A BIT could provide added confidence to investors, deepen our economic relationship, and support job creation and economic growth in both countries.

### **Linking U.S. Business with Buyers Overseas and Attracting Investment Back Home**

ITA provides numerous tools to help U.S. companies learn more about the Indian market, and meet potential clients, distributors, and partners. ITA organizes trade missions and trade events, and provides market research, export counseling and customized support to companies looking to export to India. In fact, the Commerce Department is organizing an executive-led trade mission to India in February 2015. The mission will introduce U.S. firms to India's rapidly expanding ports and marine technology market. Given the new Government of India priorities in infrastructure (Rail, Roads, Power, Ports, Airports, Water and Energy), the Department is re-doubling its efforts to increase U.S. exports and to align them with the priorities identified by the Government of India.

As demonstrated in the table below, each year ITA's customers are reporting more export successes by new-to-market clients in India. Since 2010, more and more U.S. companies have been exporting to India.

<b>Year</b>	<b>Export Successes</b>	<b>New-to-Market Clients</b>
2010	464	121
2011	498	144
2012	470	185
2013	763	401

ITA prides itself on helping U.S. companies, especially small and medium-sized enterprises (SMEs). For example, Avazzia, Inc., a Dallas-based SME manufacturer of electro-stimulating pain management devices, contacted its local U.S. Export Assistance Center with the goal of selling its products and services in India’s growing healthcare market. The Mumbai Commercial Service office provided a Gold Key Service to Avazzia, that is, our in-country ITA staff researched the local market and arranged face-to-face meetings for the company with numerous potential distributors and agents in India. Since receiving these services, Avazzia Inc. has entered into a distributorship agreement with a Mumbai-based company and shipped its first order to India, recording a new-to-market success.

### **Enforcing Domestic Trade Laws**

ITA is in charge of enforcing the antidumping duty (AD) and countervailing duty (CVD) laws, and also has statutory authority to monitor trade agreement compliance.<sup>3</sup> Through enforcement of trade remedy laws and ensuring that our trading partners abide by their international commitments, ITA provides U.S. businesses and workers the opportunity to compete on a level playing field both in the United States and abroad.

With respect to our trade remedy laws, our AD and CVD investigations are conducted in a fair, objective and transparent manner and in accordance with U.S. law and our international obligations. U.S. AD and CVD proceedings afford all interested parties involved the opportunity to participate and defend their interests. Enforcement of the trade remedy laws plays an important role in supporting the USG’s goal of advancing a progressive trade agenda. As of July 7, 2014, ITA maintains the following AD and CVD orders and ongoing investigations with respect to India:

<b>July 2014</b>	<b>Antidumping</b>	<b>Countervailing</b>	<b>Products</b>
India Orders	14	8	Consumer goods, paper products, steel products, agricultural/aquaculture products, and chemicals
India Investigations	3	3	Various steel products

<sup>3</sup> Reorganization Plan No. 3 of 1979, which amended 19 USC Sec. 2171 (describing the functions of the United States Trade Representative under the Trade Act of 1974), assigns the Secretary of Commerce “general operational responsibility for major nonagricultural international trade functions of the United States Government, including...monitoring compliance with international trade agreements to which the United States is a party.”

In addition, ITA helps U.S. businesses, including small and medium-sized companies, overcome foreign government-imposed trade barriers to gain access to and fair treatment in India, as well as to the rest of the world. ITA monitors foreign governments' compliance with trade agreement obligations and engages with these governments when problems arise. This includes working closely with U.S. producers and exporters subject to foreign trade remedy actions to track their interactions with the foreign administering authorities. For example, ITA supported Diebold, a Canton, Ohio-based manufacturer of automated teller machines (ATMs), in its efforts to gain duty free access to India's information technology (IT) sector. India had determined to not classify Diebold's machines as the type of machines eligible for duty free access under the WTO Information Technology Agreement, subjecting them instead to duties of 30 percent. ITA, in cooperation with other U.S. Government agencies, intervened successfully in dialogue with the Indian Commerce and Finance Ministries asking them to reconsider this decision. As a result, India re-classified the machines, reducing the tariffs Diebold owed from 30 percent to zero, and giving it continued duty-free access to an over \$100 million market.

### **Foreign Direct Investment (FDI)**

While our trade promotion activities are pivotal to improving the U.S. economy, inward investment also contributes significantly to job creation and economic growth. ITA is seizing this potential and has been working diligently around the world to let investors know that the United States is open for business. In total, U.S. subsidiaries of foreign companies accounted for one-fifth of total U.S. exports, showing the important relationship between trade and investment. In 2012, Indian companies' stock of FDI in the United States was valued around \$9.0 billion.<sup>4</sup> Between January 2003 and May 2014, 331 investment projects were announced by Indian firms in the United States, led by the following sectors: software and information technology services, business services, financial services, plastics, and industrial machinery.<sup>5</sup> Conversely, as of 2012, U.S. FDI into India was valued at more than \$28 billion.<sup>6</sup>

While India is not our largest source of FDI, it has great potential. In terms of average annual growth over the past five years, India is the eighth-fastest growing source of FDI in the United States, with a compound annual growth rate of 17.8 percent.<sup>7</sup> U.S. subsidiaries of Indian firms employed over 45,100 U.S. workers in 2011, with an average yearly salary of \$64,922. U.S.

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<sup>4</sup> U.S. Bureau of Economic Analysis, *Historical-Cost Foreign Direct Investment Position in the United States and Income Without Current-Cost Adjustment, by Country of Foreign-Parent-Group, 2012, by UBO (Ultimate Beneficial Owner)* (Accessed July 3, 2014)

<sup>5</sup> Source: FDImarkets.com

<sup>6</sup> U.S. Bureau of Economic Analysis, *U.S. Direct Investment Position Abroad on a Historical-Cost Basis: Country Detail by Industry, 2012* (accessed July 3, 2014).

<sup>7</sup> Calculated from U.S. Bureau of Economic Analysis, *Historical-Cost Foreign Direct Investment Position in the United States and Income Without Current-Cost Adjustment, by Country of Foreign-Parent-Group, by UBO (Ultimate Beneficial Owner)* (Accessed July 3, 2014) – by UBO (Ultimate Beneficial Owner)

subsidiaries of Indian-owned firms have invested \$39 million in research and development in the United States, and in 2011, they contributed more than \$1.9 billion to U.S. goods and service exports.<sup>8</sup>

The United States is the world's largest free and open market with a longstanding open-investment policy. SelectUSA is the federal-level resource for firms and U.S. economic development organizations (EDOs) and acts as the only U.S. Government-wide program to attract, retain, and grow business investment in the United States. In 2013, the Department of Commerce hosted the SelectUSA Investment Summit. The Investment Summit connected 1,300 participants, including 456 foreign or multinational firms, with more than 200 EDOs. India was one of the largest delegations with a total of 39 investor participants.

SelectUSA, while relatively new, has proven to be a successful program and has had direct success in working to attract India-based investment to the United States. For example, on May 1, 2014, North Carolina Governor Pat McCrory announced that Shri Govindaraja Textiles Private Limited (SG Mills) will open its first U.S.-based operation in Eden, North Carolina, investing more than \$40 million and creating 84 jobs over the next two years.

Based on the success of last year's summit, SelectUSA is organizing its second Investment Summit, to be held on March 23- 24, 2015 in Washington, DC.

## **Conclusion**

The United States remains actively engaged in India. The ITA will continue to expand our contacts with the new government in New Delhi, with the Indian state governments – where so many decisions are made -- and with U.S. and Indian businesses and business organizations in order to promote exports of U.S. goods and services. We are looking forward to enhancing this relationship with the upcoming U.S.-India Strategic Dialogue (SD) and other forums where we can actively engage with the Indian government.

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<sup>8</sup> Anderson, Thomas, *U.S. Affiliates of Foreign Companies: Operations in 2011, Survey of Current Business*, August 2013, U.S. Bureau of Economic Analysis, [http://www.bea.gov/scb/pdf/2013/08%20August/0812\\_us-affiliates.pdf](http://www.bea.gov/scb/pdf/2013/08%20August/0812_us-affiliates.pdf)