

**Remarks by Arun M. Kumar, Assistant Secretary for Global Markets and Director
General for the U.S. and Foreign Commercial Service
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INTRODUCTION

- Thank you for that kind introduction. I am honored to speak with you this evening and to be among so many friends.
- Thank you, Mr. Arun Agrawal, for that kind introduction. I want to thank IACC, YES Institute and Yes Bank for organizing and hosting this event and assembling this esteemed panel.
- It is always special for me to return to India. In fact, I started my career here more than forty years ago.
- My story is one example of the people-to-people ties that bind our two nations together and lie at the heart of the U.S-India partnership.
- India and the United States share so much in common – from a commitment to democracy to the innovative and entrepreneurial spirit that drives us forward.
- These shared bonds are the reason why I firmly believe that the U.S. -India commercial relationship can be transformational.
- However, in order to realize this potential, we must continue to work hand-in-hand to achieve a stronger partnership between the communities, businesses, and economies of our two nations.

THE OPPORTUNITY

- Recognizing that U.S.-India bilateral trade increased fivefold from 2000 to 2013, President Obama and Prime Minister Modi asked an essential question:
 - Why can't it grow five-fold once more – that is, reach \$500 billion?
- Both the U.S. and India will benefit from a deeper, more comprehensive economic and commercial relationship.

- In particular, U.S. companies' unique capabilities can help India address its priority needs and meet Prime Minister Modi's economic development goals.
- Let me share four examples:
 - First, U.S. companies are contributing to India's e-commerce market, which is the fastest growing in the world.
 - U.S. companies have already invested billions and, in the process, are making it easier for Indian firms export globally.
 - Last year, e-commerce sales in India reached \$16 billion. But by 2020, Morgan Stanley estimates that the online retail market in India could be more than seven times larger.
 - Second, increased U.S.-India travel and tourism has immense potential to drive economic growth.
 - In 2015, the United States sent more than 1.2 million tourists to India, making it India's largest inbound travel and tourism market.
 - In the United States, increasing our share of India's global travelers by just one percent would translate into \$1.9 billion in spending that would support 9,415 jobs.
 - Third, our defense and aerospace ties are rapidly expanding as our strategic outlooks converge.
 - In the last five years, only 12 percent of India's defense imports were supplied by the United States.
 - Continued progress on co-production and co-development initiatives will create win-win opportunities for all of our companies.
 - Fourth, our two leaders have emphasized the importance of heightened commercial cooperation in clean energy.
 - The Paris Climate Agreement sent a powerful signal about the massive potential of renewable energy markets.

- In total, achieving the commitments made in Paris presents a remarkable \$16.5 trillion global business opportunity.
- By removing barriers and working more closely together, we can green India's economy, enhance access to electricity, and create millions of jobs.

RECENT PROGRESS

- President Obama and Prime Minister Modi understand this opportunity, which is why they are building a revitalized, 21st century framework for economic and commercial cooperation.
- In January 2015, they took a major step forward by launching the first-ever U.S.-India Strategic and Commercial Dialogue, or S&CD.
- Secretary of Commerce Penny Pritzker, Secretary of State John Kerry, and their Government of India counterparts chaired the inaugural S&CD in Washington last September.
- Leaders from nearly every U.S. economic agency were on hand to underscore the significance of this whole-of-government conversation.
- However, the S&CD is not merely another typical government-to-government conversation.
- We directly integrated the U.S.-India CEO Forum – an advisory council comprised of leading CEOs from both nations – into the S&CD to ensure our private sectors are actively contributing to our bilateral agenda.

TRANSFORMING COMMERCIAL POTENTIAL INTO REALITY

- So how do we use this new dialogue to drive lasting policy changes that produce growth, good jobs, and shared prosperity?
- The S&CD's commercial track identified four initial areas of common interest:
 - Smart cities and infrastructure development;
 - Innovation and entrepreneurship;
 - Product standards harmonization; and

- Ease of doing business.
- I would like to talk with you about each of these work streams.

Smart Cities and Infrastructure

- India must enhance its infrastructure to keep up with the extraordinary pace and scale of urbanization.
- Over the last 10 years, Indian cities have added 90 million residents. In the next 15 years, more than 250 million more will arrive.
- If this projection holds true, India's cities will house twice today's population of the United States.
- In response, Prime Minister Modi has laid out an ambitious vision for 100 Indian Smart Cities.
- American companies want to contribute to this effort, which is why we are deploying all of the tools at our disposal.
- These include high-level trade missions, planning grants, and technical assistance to support India's nascent bond market.

Innovation and Entrepreneurship

- We are also featuring the contributions of Indian and American entrepreneurs by launching a private sector-led U.S.-India Innovation Forum.
- At the Forum, senior business leaders will reflect on the policy and regulatory conditions that encourage risk-taking.
- Having been part of the Silicon Valley ecosystem, I know from experience that an enabling policy environment makes all of the difference for entrepreneurs.
- To that end, last week's passage of India's first national bankruptcy law is a significant milestone.
- This important reform makes it more likely that India's banks can recoup their investments and therefore lend to promising Indian entrepreneurs.
- The U.S. also applauds the release of India's national intellectual property policy, which demonstrates the government's commitment to fostering innovation.

- The U.S. government continues to review the policy, but our preliminary assessment is that it includes positive aspects, including centralizing the copyright and patent regimes under DIPP and improving coordination between the center and states on compliance.
- We look forward to continuing our work together on this important issue.

Standards

- To enhance its position in global supply chains and deepen its integration with the world economy, India will need to harmonize product standards with international rules.
- Standards barriers – such as certain testing, certification, and registration requirements – not only pose obstacles to U.S. companies, but hamper the pace of India’s integration into the global economy.
- I am pleased there has been a noteworthy expansion in U.S.-India cooperation in this area.
- For example, the Confederation of Indian Industry (CII) and the American National Standards Institute (ANSI) have created a portal to make information on U.S. and Indian standards accessible to exporters in both countries.

Ease of Doing Business

- Arguably our most important S&CD work is focused on making it easier to do business with each other.
- The issue is fundamental to the future growth trajectory of our commercial relationship and, as the Prime Minister recognizes, to India’s overall economic future.
- Many U.S. companies are increasingly optimistic about the shift in tone, but are waiting to see further tangible progress in India’s business climate.
- Even as some states have moved swiftly up the rankings, India still ranks lowest among the G-20 countries on the World Bank’s 2016 Doing Business report.
- We are working hard to change this equation. Both countries are focused on ways to enhance commercial law development, public procurement, and transparency, while making it simpler to trade across borders.
- Improvement in these areas and others can support the Prime Minister’s “Make in India” agenda and help India grow a strong manufacturing economy.

SUBNATIONAL ENGAGEMENT

- We are also exploring areas of potential cooperation beyond our four existing work streams, including heightened engagement at the subnational 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.
- These efforts make a difference. According to Indian government statistics, States and Union Territories with the highest GDP growth rates overlap with those that have taken significant steps to establish a welcoming business climate.
- States like Gujarat, Maharashtra, and Karnataka grew at double-digit rates from 2013-2015, exceeding China's best recent years.

CALL FOR REFORMS

- India's recent track record on economic reforms is impressive. In addition to the examples above, the government has:
 - Streamlined bureaucratic decision making;
 - Announced investment openings in railways, defense, medical devices, and e-commerce;
 - Established commercial courts; and
 - Taken an important step to grow its civil nuclear market by ratifying the CSC in line with international rules on liability.
- American companies are responding. Last year, U.S. companies invested more in Indian equities than in China.
- Over the last two years, U.S. businesses invested over \$15 billion in India, and will reportedly sign deals worth another \$27 billion over the next two years.
- However, despite this positive news, more progress is needed to employ the nearly one-million people descending on India's cities every month.
- To do that, India needs to further accelerate inward investment, which in turn will require additional measures to increase bilateral trade.

- India's national circumstances are rapidly changing. Not only has its economy transformed over the last twenty years, but it has occurred at the same time as tectonic shifts in the global trade architecture.
- In the last year alone, countries comprising 40 percent of the world's GDP have signed on to the landmark Trans-Pacific Partnership.
- The United States and the European Union are also making progress toward a similarly groundbreaking trade liberalization agreement.
- President Obama believes that increased trade strengthens both America's and the overall global economy.
- But the United States' openness to international 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.
- The Indian government's decision to ratify the World Trade Organization's Trade Facilitation Agreement (TFA) marked a significant step forward.
- Nevertheless, high tariffs, localization requirements, and other trade barriers and policies remain a significant challenge.
- Overall, U.S. goods exports to India face an average tax at the border of more than 13 percent – that is over six times the U.S. duties levied on Indian goods.
- Policies that level the playing field here will only increase India's competitiveness and spur innovation.

INVESTMENT INTO THE U.S.

- Before closing, I want to share an important message with the Indian companies in the audience: the United States is committed to attracting job-creating investment from Indian companies like textile manufacturer SG Mills.
- Earlier this month, A.T. Kearney released its annual Foreign Direct Investment (FDI) Confidence Index. For the fourth year in a row, the United States tops the list.
- I hope that everyone here today will attend our third annual SelectUSA Investment Summit, which will take place in Washington, D.C. on June 19-21.

- Hosted by President Obama and Secretary Pritzker, SelectUSA is an opportunity for companies of all sizes to meet economic development representatives from all 50 U.S. states.

- Last year, 80 Indian executives attended that Summit, making it one of the largest foreign delegations. We hope to exceed that figure this year.

CONCLUSION

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

- Both governments are fully invested in this enterprise and have laid the groundwork for success. Now is the time to execute and deliver real outcomes.

- Industry's voice is indispensable in serving as a guide on this journey, and we are deeply committed to further strengthening the private sector role in the conversation.

- We have an incredibly busy and exciting rest of the year ahead of us. With your help, I know we can achieve concrete results for both Indian and American businesses and workers.