



CARNEGIE
ENDOWMENT FOR
INTERNATIONAL PEACE

Transcript

U.S.-INDIA ECONOMIC TIES: READY FOR TAKEOFF?

Address by **Penny Pritzker**
U.S. Secretary of Commerce

Carnegie Endowment for International Peace

September 21, 2015

Ambassador Burns, thank you for your kind introduction. I am honored to be here with you today. Last summer your vision for the potential of the U.S.-India relationship led to Secretary Kerry and I visiting the new Prime Minister. In many respects, that trip laid the groundwork for this week's inaugural U.S.-India Strategic and Commercial Dialogue.

I would also like to recognize Carnegie's Dr. Ashley Tellis and Dr. Milan Vaishnav. I know that the two of you have worked closely with our team at the Department of Commerce's International Trade Administration to develop our vision for the S&CD and to make these next few days a success. Given your prolific work on South Asia, the Carnegie Endowment is a perfect venue to discuss the importance of the growing commercial ties between the United States and India.

Finally, I want to acknowledge my friend and colleague, Minister Sitharaman. The two of us share President Obama and Prime Minister Modi's vision for an expanded U.S.-India trade and investment relationship. And we are committed to working hand-in-hand to achieve a closer, deeper partnership between the communities, businesses, and economies of our two nations.

More than a century ago, an ambitious Indian entrepreneur and businessman named Jamsetji Tata embarked on a long and difficult journey to the United States. He traveled here with a simple goal in mind: to develop relationships that would help him realize his vision of constructing a steel plant in India. Over the course of his visit, Tata met with American business leaders in Ohio and Michigan to learn about our steel industry; in North Carolina and Georgia, he toured our most profitable cotton mills; and in Alabama, he saw our iron, coal, and limestone production firsthand. Tata even met with President Teddy Roosevelt in Washington, D.C, where they bonded over cricket. Tata formed partnerships that allowed him to eventually build a world-class steel mill in India. And 113 years later, the Tata Group enjoys the largest market capitalization in India, employs thousands of people both in its home country and in the United States, and has a well-respected global brand.

Tata's story embodies so much of the promise and potential of our bilateral commercial relationship. Today, we have come together to deepen our economic and commercial cooperation—not only between individual business leaders, but between our two countries, the world's oldest and largest democracies. The good news is: business between the United States and India has never been better: two-way trade nearly tripled from \$37 billion in 2005 to \$104 billion last year; American investments in India have grown from a total of \$7.7 billion in 2004 to \$28 billion today; and India has become the fifth fastest growing source of foreign direct investment into the United States.

This tremendous growth in bilateral commerce has created greater prosperity for businesses, workers, and communities in both our nations. Our exports to India support more than 180,000 American jobs, and India's exports to our country support roughly 365,000 Indian jobs. U.S. firms employ about 840,000 people in India, while Indian-owned companies employ nearly 44,000 people in our communities. These statistics are evidence of the strong economic base that exists between our countries.

And with the initial steps taken by Prime Minister Modi to strengthen India's business climate, our commercial partnership should only grow in the years to come. Since his election, the Modi government has: streamlined bureaucratic decision-making processes; raised Foreign Direct Investment limits in insurance, defense, and railway infrastructure; established commercial courts that

can speed up the resolution of business disputes; and encouraged a competitive “race to the top” at the state level to attract business.

We commend the prime minister and his government on this progress. However, even with these positive steps, India is only America’s 11th largest trading partner and 18th largest export market. Our commercial relationship has simply not lived up to its enormous potential.

We have known this for decades. But today, given the headwinds in the global economy, neither of us can afford this underperformance any longer. We must take action to address the impediments to growth faced by our businesses and our economies. And we can only succeed by working together. In India, Prime Minister Modi has committed his government to addressing the country’s vast infrastructure, power generation, healthcare, and transportation needs, with initiatives like “Make in India,” “Digital India,” and building 100 smart cities. And American businesses stand ready with technology and capital to partner with India’s public and private sectors to contribute to India’s growth and development.

In the United States, President Obama has made improving market access, promoting exports, and attracting foreign investment central to his economic agenda and his efforts to support a rising middle class. For our workforce and our businesses to thrive in the 21st century, U.S. firms must be able to export their goods and services to the 96 percent of customers who live outside our borders—including to the nearly 1.3 billion people living in India, the world’s fastest-growing major economy. Beyond new markets for our exports, American communities also need new investment, which is why our administration established SelectUSA. This initiative, led by the Commerce Department, is our first-ever, whole-of-government effort to attract and assist foreign investors. Indian companies have invested approximately \$11 billion in the U.S. so far—and by designating India as a SelectUSA target market, we are working to increase the footprint of Indian businesses in our communities.

President Obama and Prime Minister Modi understand that achieving our ambitious goals requires heightened engagement with the private sectors in both India and the United States. Later today, we will convene a reinvigorated U.S.-India CEO Forum, which we have now permanently linked to the S&CD. The participating business leaders from both countries have been critical to developing a meaningful agenda that will inform our policy priorities—and during tomorrow’s session, we have reserved a significant block of time for our governments to consider their recommendations.

Beyond this inaugural S&CD, the private sector from each country will be active participants in driving our dialogue forward and holding the two governments accountable for progress. In fact, the CEO Forum has already established an aggressive work plan for the future because they, like our political leaders, see the potential of the commercial relationship and appreciate the importance of this moment.

President Obama and Prime Minister Modi also understand that our markets are interconnected and that neither country can achieve its economic vision without the other. That is why they agreed to elevate our commercial relationship by creating the Strategic and Commercial Dialogue.

Tomorrow, joined by senior representatives from across each of our governments, Secretary Kerry, Minister Swaraj, Minister Sitharaman, and I will convene the first-ever Strategic and Commercial Dialogue. Our initial work plan, informed by a close collaboration with Indian and American public

and private sectors, focuses on our nations' joint priorities, including ease of doing business, infrastructure development, innovation and entrepreneurship, standards, and global supply chains. Prime Minister Modi has publicly committed to moving India into the top 50 of the World Bank's "Ease of Doing Business" rankings. Improving contract enforcement and modernizing bankruptcy practices are central elements to achieving that ambition. Today, the World Bank ranks India 186 out of 189 countries on the ease of enforcing contracts. In fact, it can take years to resolve a contractual dispute with a vendor in India, and terms are too frequently reinterpreted after a deal has closed. These challenges make it incredibly costly and unpredictable to do business in India, and only serve to impede the operations and investments of Indian and foreign firms alike.

To address these issues, teams from the United States and India will work together to share best practices and speed up the enforcement process. American officials will share tools used by our judiciary to manage dockets and promote more efficient decision-making, and we will begin a series of judicial exchanges between our experts in the coming year.

With respect to bankruptcy, the Indian government is committed to developing a system that distinguishes between distressed businesses that need to be reorganized and failing businesses that need to be liquidated. To advance this goal, Department of Commerce officials recently traveled to India to meet with the agency charged with drafting the country's new bankruptcy law and to discuss the immense commercial challenges posed by outdated bankruptcy regimes. Experts from both countries committed to continuing these discussions as India develops and implements new standards.

Whether on contracts, bankruptcy, or the whole host of issues we will address through the Strategic and Commercial Dialogue, our primary objectives are clear: to make it easier for foreign and domestic firms to do business in India and the United States; to deepen our ties of trade and commerce; and to strengthen our bilateral commercial bonds in ways that benefit workers and businesses in both our countries.

By working toward these goals tomorrow, by working in close partnership in the months and years to come, we have an extraordinary opportunity. We have an opportunity to help Prime Minister Modi achieve his vision of lifting hundreds of millions of Indians out of poverty and into the middle class. We have an opportunity to help President Obama advance his vision of greater economic security for all Americans and enhanced U.S. economic leadership around the world. Together, we have an opportunity to realize the promise and potential of the U.S.-India economic relationship. I hope all of you, Indian and American, in government and in business, will join us in seizing this moment to keep our nations open for more business together.

Thank you.