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Suspension of the decision to allow FDI in multi-brand retail, elimination of US companies from Indian Air Force's combat aircraft deal, US industry's disappointment with India's nuclear liability norms, higher rejection rates for US work visas — 2011 has been marked by a string of setbacks for India-US economic relations. But, in an interview with Indira Kannan, **RON SOMERS**, president of the Washington DC-based US-India Business Council, was determined to spot the positive signs and look ahead to next year's agenda

'Don't see Indian economy as sucking American jobs'

Has 2011 turned out to be a disappointing year for Indo-US economic ties?

That would be too strong. Let's remember that we were beset as soon as the Obama visit (to India, in November 2010) ended — the Adarsh scandal was underway, the Commonwealth Games fiasco was in the headlines everyday and then, the 2G allegations began arising. We all knew that nothing could take place in advance of the outcome of the West Bengal elections in April-May 2011. The Medium Multi-Role Combat Aircraft announcement that neither Boeing nor Lockheed Martin was shortlisted

came as a surprise because, as we now look at, the Eurofighter and the French proposals, the cost numbers that are coming in are outrageously high — well north of \$100 million an airplane. The numbers proposed by Lockheed Martin and Boeing were much below that.

But the reality is that there is a huge upside between India and the US on transport aircraft, including the Boeing C17s, the Lockheed Martin C130Js and, of course, India's continued desire to buy P8-I naval reconnaissance aircraft to keep an eye on Chinese submarines in the Bay of Bengal. So, tech collaboration has been

robust in 2011, a huge success story that has gone quite unnoticed.

And to round off the year, were you surprised by the timing of the announcement of allowing foreign direct investment (FDI) in multi-brand retail and by the subsequent walk away from the issue?

We're very convinced that it is in India's interest to open the multi-brand retail sector and that it will happen. We respect the Indian political process, although it was an unfortunate flip-flop, and it sent a confusing signal to the US companies. But, I do believe it is going to happen and we understand that the Prime Minister himself has said after the Uttar Pradesh elections, they would revisit this issue.

What is your assessment of the new rules on India's Nuclear Liability Act announced recently?

In the end, international best practices channels liability to the operator, and under the current rules, and under India's law, that is not the case. There is still liability to the equipment supplier. We would hope that eventually the Indian limitation on liability conforms to international norms, and we would like to see India ratify the Convention on Supplementary Compensation, which India promised to do to President Obama when he visited there last November.

What do you consider to be the more positive developments this year?

We had an extremely successful education summit — a first of its kind — in October. We have done a better job of awakening the US companies to the extraordinary opportunity in the Indian infrastructure sector, the \$1.7 trillion need for investment. We have to take credit for Ford Motors' decision to open its largest manufacturing facility in its history in Gujarat, that Corning is opening one of its major fibre optics manufacturing facility in Maharashtra, that General Electric has surpassed \$2.5-billion mark in annual revenues in India alone, the fact that Caterpillar and Cummins Engines have never had better years in terms of their involvement with India — so many success stories all the way down the line where India is truly becoming a major manufacturing hub.

What's high on your agenda for 2012?

The biggest hill to climb is to continue to educate our own political system that India should not be perceived as that other billion person economy that is going to be sucking American jobs overseas. India is buying our high-end manufactured goods — from Boeing, Caterpillar, Cummins, hopefully our locomotives for Indian Railways — we should be focus-

ing on deepening our defence relationship, which is the underpinning of our strategic partnership. What about doing more in space collaboration — monitoring monsoons, retreat of glaciers and understanding crop distribution? Agriculture collaboration is important, so is energy security and water security. Our countries can also be thinking about Africa, and all the relationships that India already enjoys in Africa with the diaspora, and that America needs to have a more robust presence there.

What are the specific measures that you would like to see taken up next year?

India needs to be the innovation nation of the 21st century. Therefore, hardening the protection and reward of Intellectual Property that will spur innovation should be a priority for both of our countries. We definitely want to see Indian Railways move forward on their procurement of locomotives. We want to see the insurance sector open, because you can't mobilise \$1.7 trillion in infrastructure investment without a robust debt market, and debt markets are created by the pension and insurance industries.

There will be presidential and congressional elections in the US and the crucial Uttar Pradesh elections in India this year. Are you concerned that economic issues could be hampered by political paralysis in both countries?

We must remain vigilant given the high unemployment in the US and the slow economic recovery, particularly against the backdrop of Europe — I'm not convinced the euro will survive or that the euro zone will remain intact, and if that has to be restructured, it would mean that Europe remains a malaise for the next five-seven years. That puts tremendous downward pressure on our economies and causes me to worry about what happens up on Capitol Hill. Will there be a tendency towards protectionism, where we are less generous with our visa regime, where we are not moving our tech professionals back and forth like we need to in order for our knowledge economies to flourish — there was an element of protectionism that rose up as we approached the presidential election in 2004, I hope that doesn't repeat itself in 2012.

In India, I'm concerned about the Uttar Pradesh polls becoming the bellwether for the national polls, that we don't ever get over the Uttar Pradesh election, it just kind of morphs right into the next national polls — and if we head into earlier polls than now scheduled in 2014, that could put a dampener on any bold reforms taking place in India at a time when the US and India really need to be working closely together.



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