

## Addressing key challenges US-India





# Indo-US Trade at a Glance

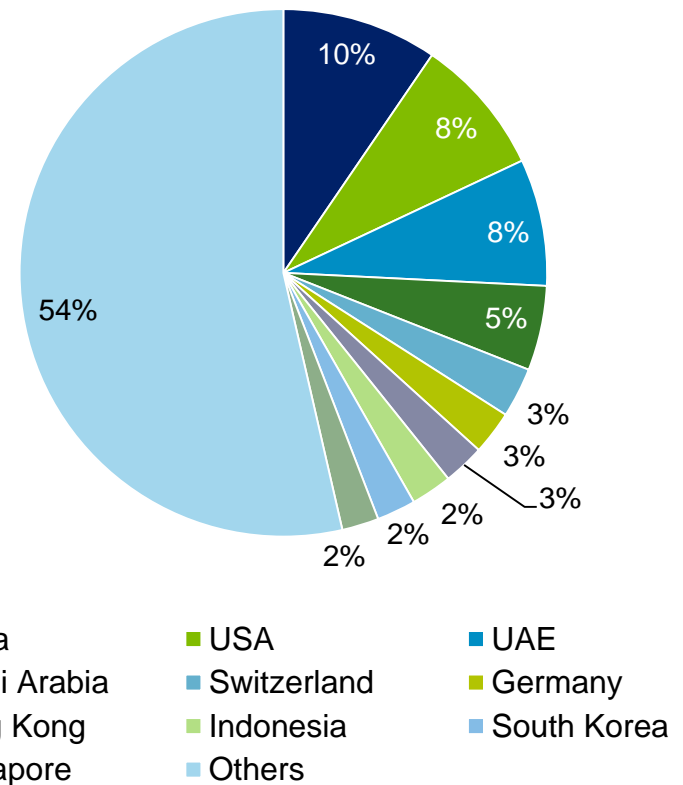
# India's Top Trading Partners

## In US\$ Billion

Figures in US\$ Bn.

Rank	Country	Export	Import	Total Trade
1	China	11.94	60.41	72.35
2	USA	42.45	21.82	64.27
3	UAE	33.03	26.01	59.04
4	Saudi Arabia	11.17	28.24	39.41
5	Switzerland	1.07	22.13	23.20
6	Germany	7.54	12.79	20.33
7	Hong Kong	13.60	5.57	19.17
8	Indonesia	4.04	15.00	19.04
9	South Korea	4.60	13.53	18.13
10	Singapore	10.00	7.12	17.12
<b>India's Total</b>		<b>310.57</b>	<b>447.98</b>	<b>758.55</b>

% share of total trade



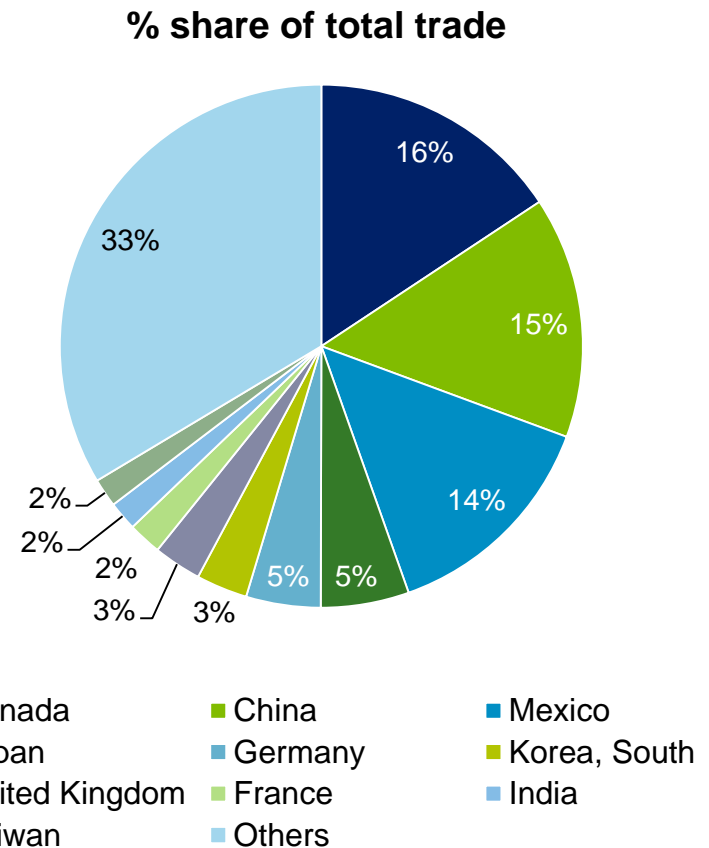
Data source: Ministry of Commerce and Industry  
 Note:- Figures for FY15

# USA's Top Trading Partners

## In US\$ Billion

Figures in US\$ Bn.

Rank	Country	Export	Import	Total Trade
1	Canada	312	346.1	658.1
2	China	124	466.7	590.7
3	Mexico	240.3	294.2	534.5
4	Japan	67	133.9	200.9
5	Germany	49.4	123.2	172.6
6	South Korea	44.5	69.6	114.1
7	United Kingdom	53.9	54	107.9
8	France	31.2	47	78.2
9	Brazil	42.4	30.3	72.8
11	India	21.6	45.2	66.9
<b>US's Total</b>		<b>1,623.3</b>	<b>2,345.8</b>	<b>3,969.1</b>

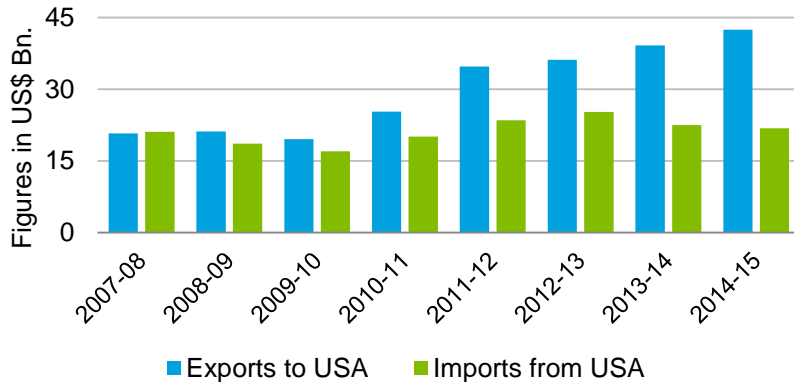


Data source: US Census Bureau

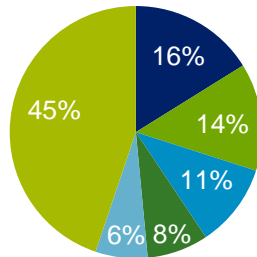
Note Figures for CY2014I, India is ranked 9<sup>th</sup> in CY2015 uptil April

# India and USA- Bilateral trade

**India's trade with USA**

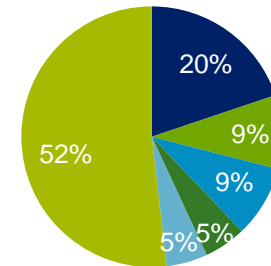


**% of total imports (2014-15)**



- Pearls, precious and semi-precious stones, imitation jewellery etc.
- Nuclear reactors, boilers, machinery etc.
- Aircraft, spacecraft and parts
- Electrical machinery, equipment, devices and parts
- Mineral fuels, waxes and oils etc.
- Other

**% of total exports (2014-15)**



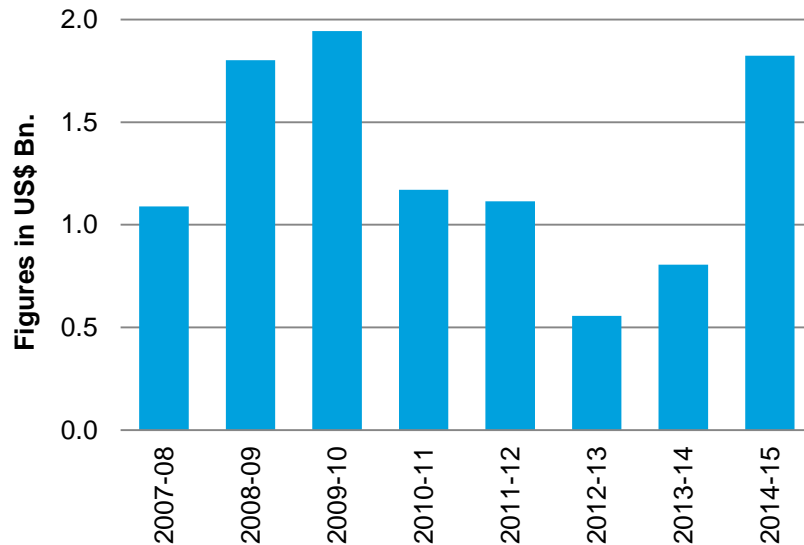
- Pearls, precious and semi-precious stones, imitation jewellery etc.
- Mineral fuels, waxes and oils etc.
- Pharmaceutical products
- Textile articles
- Nuclear reactors, boilers, machinery etc.

Data source: Ministry of commerce and industry

- India enjoys favorable terms of trade with the USA, with bilateral trade led by Indian exports
- Exports mainly consist of primary products such as pearls and precious stones as well as minerals and fuels
- India mainly imports finished goods such as boilers, aircrafts as well as electrical machinery

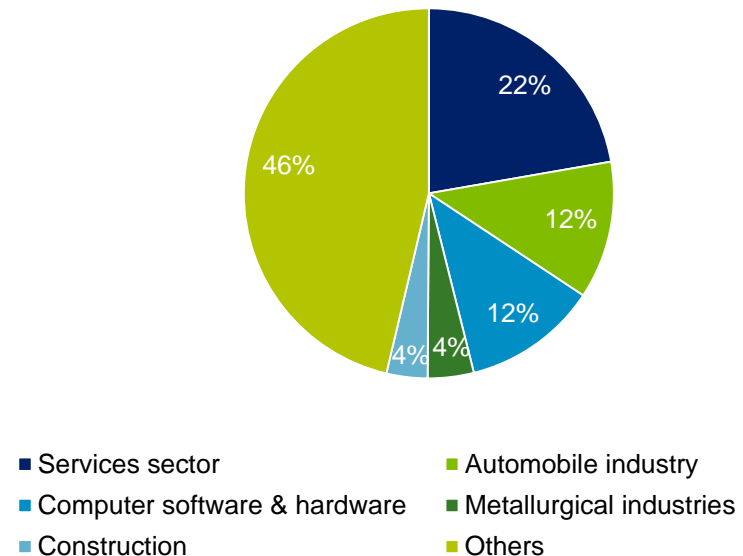
# India and USA – Investment flows overview

FDI inflows from USA



Data source: Ministry of commerce and industry

Sectoral FDI inflow from USA



- At a cumulative investment of around US\$ 14.1 billion (from 2000-2014), the US is the six largest investor in India (*this excludes investments through Mauritius, Singapore etc.*)
- After a couple of lean years, investment again picked up in 2014-15, with an inflow of US\$ 1.8 billion
- US investment into India is predominantly focused on the services sector, with a percentage share of 22%, followed by the automobile and computer segment with a percentage share of 12% respectively

# Investment opportunities – a win-win scenario

- Indian growth likely to remain around 8% for the next few years, while the US is likely to grow around 3%.
- Expect India to be the 3rd largest economy after the US and China by 2030
- India ranks 9th in the world in terms of GDP at current prices, with a market size estimated to be at US\$ 2.01 trillion for the year 2014 compared to US\$ 1.84 trillion in 2013.
- Government's effort to improve ease of doing business and relaxation in FDI norms is expected to yield results. Return on investments expected to be much higher in a fast growing market
- The productivity levels in India are one-tenth of the levels in the US. Skill gap of about 347 million people in 20 high-growth sectors (infrastructure, IT, capital goods, automotives, telecom, etc)

**Investing in India's Growth is an Opportunity for the US Industry**

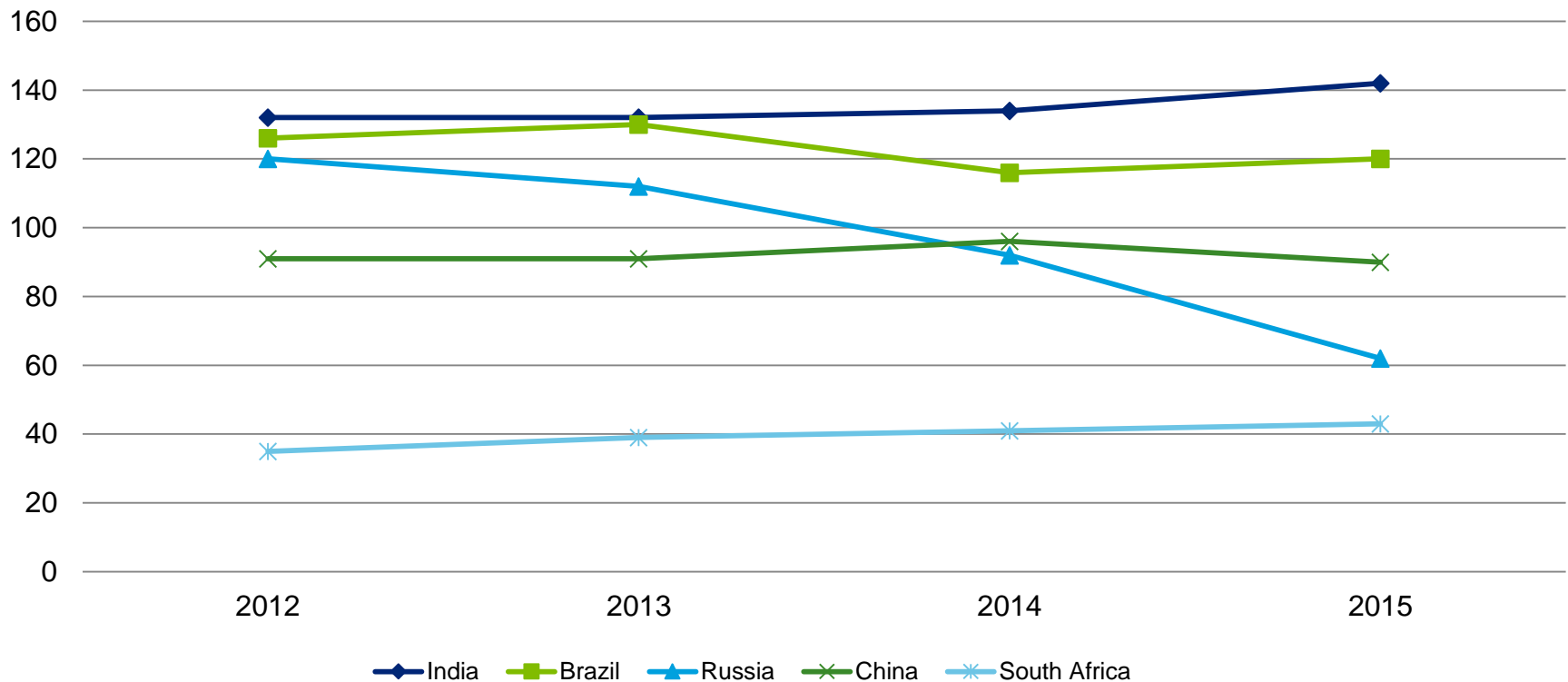


# Key Proposed Reforms



# Ease of doing business

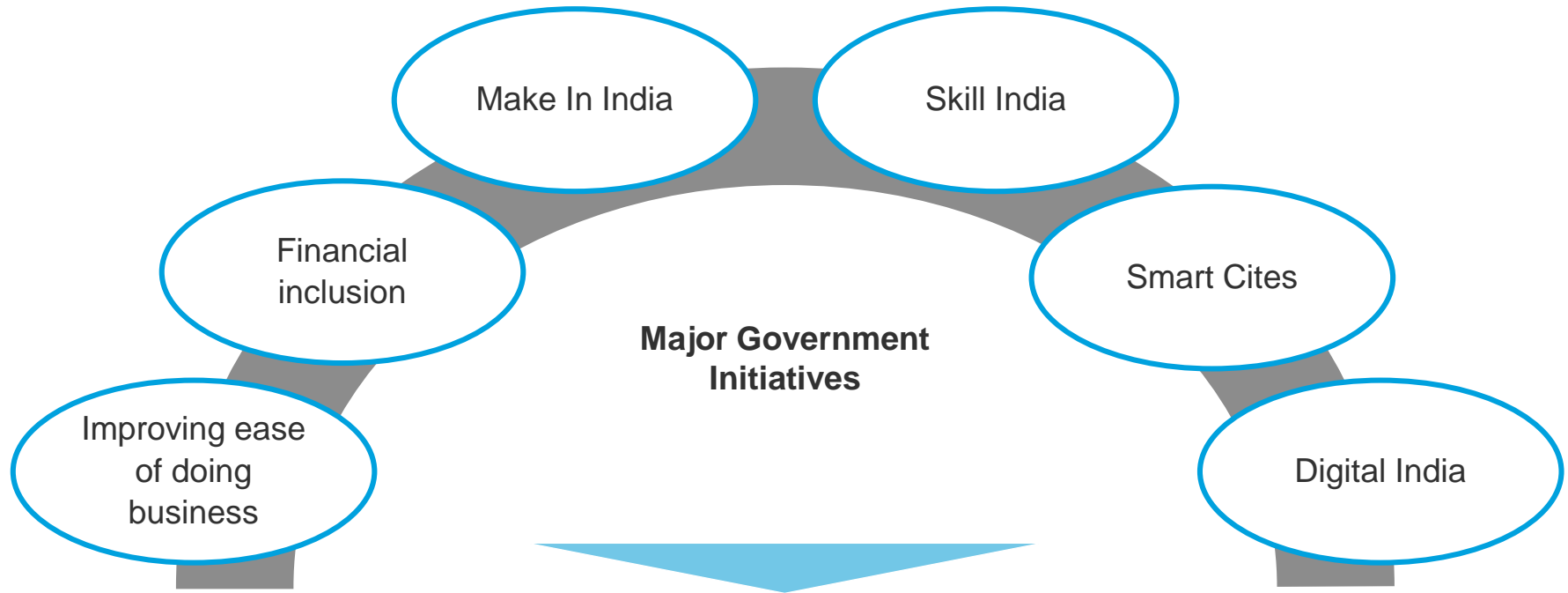
## Need major improvements



Source: World Bank

**India is currently placed at 142 out of 189 countries**

# Major Government Programs Transforming the Economy



**AMCHAM has been involved in giving a push to all these programs**



# American Companies in India: Success Stories

# Success stories

## General Electric

Recently GE unveiled the 'Brilliant Factory' in Pune, one of its most advanced facilities combining automation, industrial internet and 3D printing which caters to a diverse set of industries including aviation, oil and gas and rail

The MoU for the plant was signed with the state Government in 2013 which ensured speedy implementation of this large scale project

This center will also serve both domestic and export markets, working on the principle of a 'Shared Centre of Excellence' on process, capability and human capital aimed at driving economies of scale.

The Maharashtra government is also being praised for reducing drastically the number of permissions required for setting up a factory

# Success stories

## DuPont

**Established in 1994 in India, DuPont has a significant footprint in India with a workforce of 4,000 employees spanning over 7 different locations in India**

**Acknowledging the fact that India, with a compelling demographic advantage and availability of high-quality talent, is one of the fastest growing economies, it has been considered as a strategic market by DuPont**

**DuPont initiated a Public Private Partnership (PPP) with the government of Odisha to introduce high-yielding corn hybrid seeds to more than 25,000 farmers in six districts**

**It has also entered similar agreements with the government of Uttar Pradesh to provide technical training and other extensive services to rice growers in the state**

**DuPont with the support of the government has also set up solar plants on Tamil Nadu as part of its GOODWILL SOCIAL WORK CENTRE PARTNERSHIP INITIATIVE**

# Success stories

## United Technologies (UTC)

Centrally involved in the aerospace and building systems industries, United Technologies has a presence in over 80 cities in India with 6 manufacturing facilities and 5 engineering and research centers and a workforce of 6,500 employees

United Technologies intends to fully co-operate with the 'Make in India' program as with the help of this initiative, by localizing products instead of importing them from China, it has managed to save costs by up to 20%

Boyed by the recent developments, the company plans to increase its operations in India by setting up a global training and development center in India

Among its many entities, its Carrier plant in Gurgaon has been made into a production hub for SAARC nations

A joint venture between United Technologies and Tata Group is now the sole supplier of 100% indigenous cabins for its S-92 helicopters

Another entity of UTC, Otis, has expanded its manufacturing capabilities by doubling its capacity



# Success stories

## 3M

**Setup in 1988, 3M has operated in India for over 25 years in functioning in a diversified portfolio of industries that include manufacturing, healthcare, transportation, electronics, automotive etc.**

**With a strength of 1,600 employees, 3M has invested around US\$ 100 million over the last 15 years**

**3M recently decided to scale up investment in India citing India's efforts towards the goods and tax regime and improvement in corporate tax systems as central reasons for making it an attractive destination**

**Focusing on the co-operation coming through the ASEAN and other free trade initiatives in India, 3M is considering India as a potential export base**

**With the Indian government driving in the 'Make in India' campaign, 3M is looking to participate in the campaign by helping global industrial customers to set up shop in India**

**Along with this, the company is also willing to bet heavily on the 'Digital India' and 'Smart Cities' initiatives by planning to invest heavily in ecommerce**

# Success stories

## Cargill

**Cargill initiated its operations in India in 1987 in the form of a small liaison office and now have investments in the form of edible oil refineries, animal feed mills and warehouses.**

**Currently it is present in a numerous locations within India with an employee strength of around 2,000 people**

**Cargill India Private Limited has been selected as part of the National Occupation Standards under the National Skill Development Council**

**The program is aimed at training 10,000 persons in the next 12 months in skill development required for the respective sector**

**Under the 'Fast Track Nutrition' program, Cargill India is working in cohesion with the government of Madhya Pradesh to improve food security and nutrition in the state**



# Success stories

## Becton Dickinson (BD)

**Becton Dickinson operates through its Indian subsidiary BD India Pvt. Ltd. , set up in 1996**

**BD India helped form coalition of India based NGOs to work with the Indian government on TB control. The coalition is now equipping 33 government labs with TB diagnostic technology**

**BD has set up a manufacturing plant in Haryana, for the production of medical equipment that are sold both domestically and internationally**

**The recent MoU with National Accreditation Board for Hospital and Healthcare Providers (NABH) is a collaboration for enhancing patient and healthcare worker safety in India**

**BD has sought approval for issuance of equity shares/redeemable preference shares for further infusion of capital of USD 20 million by its parent company**

**In line with Indian government's commitment to fight diabetes across the country, BD signed a MoU with the Art of Living's Vyakti Vikas Kendra India in an effort to address this issue**

# What these stories tell us?

- Substantial increase in investment by American companies over previous years
- Continued focus and interest in India: for many India is a “strategic market”
- Expertise and technologies offered by American companies are directly relevant for social development initiatives like public distribution systems, financial inclusion, healthcare & education
- Along with the proposed reforms, constraints that add to difficulty of doing business in India also need to be systemically reduced.
- With technological advancements in all spheres, the US is a high technology partner and a prolonged partnership will lead to the Indian economy substantially gaining in the technology space
- Technologies offered by US companies provide solutions for India’s vision of Digital India, Make in India, Smart Cities, Skill India etc.



## Some Key Sector Specific Issues

# Infrastructure finance

## Issues & solutions

<b>Underdeveloped Debt markets</b>	<ul style="list-style-type: none"><li>• Create effective market mechanism, robust trading platform, simple listing norms of corporate bonds.</li><li>• Introduce long terms bonds spanning more than 30 years in line with the gestation period of the industry.</li></ul>
<b>Regulatory constraints</b>	<ul style="list-style-type: none"><li>• Reduce exposure norms on funds which are presently required while investing in infrastructure sector in form of debt or equity.</li><li>• Move away from traditional preference to invest in public sector, government securities.</li></ul>
<b>User charges</b>	<ul style="list-style-type: none"><li>• Make infrastructure more amenable to commercialization and do away with regulatory, political and legal constraints in the real estate sector.</li><li>• Government is not in a position to levy sufficient user charges on these services.</li></ul>
<b>Regulated earnings</b>	<ul style="list-style-type: none"><li>• Earnings from projects like power may be made more lucrative for private sector.</li><li>• Service provider must be allowed to pass the increase in costs to the end customer which is presently not possible due to political pressures.</li></ul>

# Supply chain and Logistics industry

## Issues & solutions

<b>Unorganized and small scale</b>	<ul style="list-style-type: none"><li>• Majority of logistics service providers are small family owned consisting of a few personnel owning a couple of trucks. Develop and implement a system to consolidate and organize these multiple service providers to work in cohesion.</li><li>• This will reduce the volatility in the work load and encourage economies of scale</li></ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"><li>• Address infrastructural problems like poor road conditions, bad connectivity, inadequate air and sea port capacities</li><li>• The above will go a long way in reducing high costs per transaction in Indian logistics sector and bring them at par with other developed markets</li></ul>
<b>Consumer demand</b>	<ul style="list-style-type: none"><li>• Needs and preferences of consumers, and customers are changing rapidly. The suppliers need to be constantly connected into these changes and digital infrastructure like increasing mobile connectivity can assist</li></ul>
<b>Diversified consumer base</b>	<ul style="list-style-type: none"><li>• Indian customer base is highly diverse and widely distributed</li><li>• Access to remote rural areas, where growth is expected must be encouraged by giving incentives and higher returns to solution providers</li><li>• Encourage adoption of supply chain strategies for developing new networks that effectively using human resources</li></ul>

# Biotech and Healthcare industries

## Issues & solutions

### Regulatory hurdles, Complex tax structure

- Reduce regulatory hurdles at different stages right from manufacturing to market entry and various interim stages
- The complex indirect tax structure and a wide array of tax rates may be streamlined with introduction of GST. Rein in aggressive tax enforcement authorities and reduce discretion
- Implement internationally accepted IPR Protection Laws

### Numerous regulatory bodies

- Streamline complex control structure with a wide range of regulatory bodies operating in different states at multiple levels
- Transparent and consistent price control policies not determined by usage data and not changed abruptly
- Restrictions on clinical research and trials must be lifted by instituting appropriate regulatory oversight mechanisms
- Medical devices must be regulated independently under a globally harmonized act based on risk based classification and not under drug & cosmetics act

### Challenges around manufacturing

- Create ecosystem for manufacturing.
- Price preference could be given to products manufactured in India
- Government procurement procedures must become transparent and fair

### Other Issues

- Shortage of skilled professionals in this sector must be addressed
- Low insurance coverage and high out of pocket spends continue to be a big challenge in healthcare. This must be addressed to ensure healthcare for all.
- Establish uniform and transparent quality standards for healthcare related institutions

# Information and communication technology

## Issues & solutions

<b>High costs during initiation</b>	<ul style="list-style-type: none"><li>• Provide incentives to service providers to offset high initial fixed costs when entering rural service areas</li><li>• Provide basic infrastructure to reduce logistical risks and time taken to roll out new services.</li><li>• Creep / sweep ambiguous provisions by Government prevent accurate assessment of execution and financial viability of projects</li></ul>
<b>Multiple authorities</b>	<ul style="list-style-type: none"><li>• Centralize decision making authorities and prevent inefficiencies arising due to multiplicity of agencies for approval and monitoring of services</li><li>• Roll out clear and simple guidelines on testing of imported equipment locally</li></ul>
<b>Policy challenges</b>	<ul style="list-style-type: none"><li>• Simplify the existing complex and multiple policies regarding new set ups in Telecom Sector</li><li>• Modify the Preferential Market Access (PMA) laws to address concerns of global players</li></ul>
<b>Tax and procurement challenges</b>	<ul style="list-style-type: none"><li>• Implementation of tax reform aimed at prevention of unreasonable positions taken by India's Income Tax Department, including on Transfer Pricing, should be encouraged</li><li>• Model RFPs must be made mandatory for future procurements by Nodal Agencies</li><li>• Use QCBS (Quality and Cost Based Selection) criteria for cutting-edge technology solutions</li></ul>

# Aviation industry

## Issues & solutions

### Easier Financing

- Allow easier financing options. Permit private airport operators to issue tax free bonds
- Establish 'Essential Air Services Fund (EASF) to provide funding for no-frills airports

### Regulatory Framework

- Possible tax holidays for encouraging aerospace related manufacturing
- Cut red tape in importing aircraft engines, parts and supplies

### Taxation

- Simplify the complex and high existing taxation structure for the aviation industry
- Possible infrastructure status for the aviation industry
- Declare MRO as a separate category instead of clubbing with Ground Handling (GHA) for security procedures and remove restrictions on foreign registered a/c for MRO work

### Infrastructure

- Encourage private participants to create world class skill development centers
- Help create repair and maintenance facilities in India
- Encourage policies for establishing helipads at important tourist, port and mining locations



# Manufacturing sector

## Issues & solutions

### Safety testing

- This mandates technology exporters to India to register their products with laboratories affiliated or certified by the Bureau of Indian Standards
- Along with the above, recognize and accept credible certification held by exporters from internationally recognized laboratories.

### Administrative process

- Streamline the tedious formalities and complex rules for clearance of imported goods
- Make formalities and rules more transparent and reduce the excessive discretionary powers with regulatory officials
- Reduce the number of complicated procedures for different manufacturing units

### Custom clearance

- India has a complex custom and tariff system which leads to lack of transparency in determining the effective rates of custom tariffs and excise duties
- Simplify rules for custom clearance to reduce cargo holding time for the importer

### Other restrictions

- Imported goods are subject to various labelling requirements including the maximum retail price before they leave their place of origin. This is a logistics challenge for small orders.
- A number of products have to be imported through an official authority or on the foundation of specific licenses. Although, well intended, they create various barriers for importer at different stages of the import process

# Intellectual Property Protection

## Issues & solutions

### Lack of robust policy framework

- The U.S. Chamber of Commerce's Global Intellectual Property Center placed India last out of 25 countries included in its 2014 International IP Index
- Uncertain regulatory policies pertaining to Patent and IP must be revisited and simplified
- Draft IPR Policy is comprehensive but there is a need for more detailed and specific policies for addressing the needs of specific industry segments

### Lack of Regulatory Data Protection

- Indian law must provide protection and prevent unfair commercial use of testing or other data that companies must submit to government in order to obtain marketing approval
- Statutory trade secret protection must be provided against misuse and information leakage.

### Patent Enforcement & Regulatory Approval

- Pass pending legislation that would establish fast-track IP Courts and assist in addressing disputes efficiently
- Continue improvements being made in the last few years in the regulatory process of IP Offices to make them more efficient and transparent. Administrative thrust to improve the processes and policies should continue

### Complex market structures

- Due to large, complex and segregated structure of the industrial sector in India, a large number of small players infringe on IP rights. Law of the land must contain their activities.
- IP infringement seizures tend to be small and require sustained and financially draining effort to make an impact. Strict implementation must be followed.

# E-commerce

## Issues & solutions

### Insufficient usage of plastic money

- A large portion of the Indian population still doesn't own debit/credit cards due to trust deficit and complexity of perceived transaction use by the customer
- There are currently 17.6 Mn. credit cards and 278 Mn. debit cards in India as compared to 331 Mn. credit cards and 3.2 Bn. debit cards in China
- The financial services industry and the e-commerce industry should work in cohesion with policy makers to create greater and more enabling environment for growth

### FDI policy

- Although 100% FDI is allowed under automatic route for business to business online trading, FDI in online business to consumer trading is restricted
- The current restriction allows foreign investment only in seller based model which restricts growth in innovation as well as restricts investment in infra, and developing supply chain and logistics of the e-commerce industry
- A flexible & hybrid model combining market place and inventory led model should be adopted

### Taxation

- VAT liabilities are currently being passed on to e-commerce marketplaces in some instances, even though they are not permitted to sell goods to end customers due to restriction under the extant FDI policy
- With this profile, the responsibility to charge and deposit VAT should continue to lie with the sellers

### Intermediaries' protection

- The lack of clarity on the role of intermediaries in the policy framework, has led to punitive actions against e-commerce market places by various enforcement agencies
- Even though e-commerce market places are not allowed to directly sell to the end customers, they are still held responsible for some of the legal compliances of these products
- Similar to VAT, products are not directly sold by them, action taken against any wrong doing in this aspect, should be directed to the seller

# Major issues

## Common Threads

### Infrastructure

- Lack of adequate physical and soft infrastructure affects efficiency and hence profitability
- Major roadblock to the overall logistics and function of businesses
- Lack of a unified economic market to generate efficiencies and economies of scale
- Poor Centre State coordination for developing infra projects

### Regulatory framework

- Major hindrance leading to poor ranking in ease of doing business: Multiple registrations and high lead time for export and import procedures
- Multiple regulatory bodies in different geographies and verticals compounds issues
- Not in synch with international best practices and lacking transparency & fair play

### Tax structure

- Plethora of taxes and different tax bases creates an extremely complex structure adversely impacting business efficiency
- Aggressive stand by tax authorities affecting business sentiments
- Divergence between customs and tax laws on arm's length price
- Multiple disclosures on foreign payments to RBI and tax authorities

# Major Solutions

## Common Threads

### Infrastructure

- Physical network of roads and rail connectivity
- Digital infrastructure
- Education and skill development
- Women and child health

### Regulatory framework

- Reducing multiple registrations,
- Reducing multiple regulatory approvals
- Ensuring continuity and transparency in policy
- Monitoring implementation of policies at ground level

### Tax structure

- Implementation of GST
- Greater no. of tax courts to reduce time taken in litigation
- Harmonious interpretation of tax laws e.g. customs and income tax
- Certainty and continuity of tax regime
- Encourage tax officers to envision industry as channels of growth

## AmCham India

The American Chamber of Commerce in India is an association of American business organizations operating in India. Accredited to the Chamber of Commerce of USA, Washington DC and the Asia Pacific Council of American Chambers of Commerce (APCAC) AmCham India was established in 1992. Companies of U.S. origin make up 95 percent of the 500 strong membership, the remaining being individual and honorary members. The incumbent U.S. Ambassador to India is the Honorary President and India based CEOs of US MNCs operating in the country comprise the national board.

The primary objectives of AmCham India are to:  
Promote activities that encourage and stimulate U.S. investment in India  
Support ongoing business operations of U.S. companies in India  
Encourage bilateral trade between the U.S. and India

[www.amchamindia.com](http://www.amchamindia.com)



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India Private Limited (DTTIPL) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). None of DTTIPL, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.